July 21, 2011

Equity Research

WELLS FARGO SECURITIES

ETP/ETE/RGNC: Third Time's A Charm?

Lowering ETE Val. On Higher SUG Bid -- Maintaining Positive Outlook

Sector Rating: Gathering & Processing MLPs, Overweight
Sector Rating: General Partnership MLPs, Overweight
Sector Rating: Large Cap Pipeline MLPs, Overweight

				FY DCF/unit				Valuation Range	
Ticker	Rating	Chg. Y/N	Price 07/21/11	2011E	Chg. Y/N	2012E	Chg. Y/N	Curr	Prior
Gathering & Processing MLPs									
RGNC	1	N	$26.01	$1.88	N	$2.00	N	$27-30	NC
General Partnership MLPs									
ETE	1	N	42.14	2.30	N	2.67	N	$47-50	$48-51
Large Cap Pipeline MLPs									
ETP	1	N	47.15	3.50	N	4.07	N	$53-57	NC

Source: Company data and Wells Fargo Securities, LLC estimates 1= Outperform, 2 = Market Perform, 3 = Underperform, V = Volatile
= Company is on the Priority Stock List NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful

- **Key Takeaways.** On 7/19/11, Energy Transfer Equity (ETE) announced a revised merger agreement to acquire Southern Union Company (SUG) for $9.4B, including $5.7 billion in cash and ETE common units. The revised offer equates to $44.25/share for SUG investors (up from ETE's previous and original offers of $40/share and $33/share, respectively, and above a competing offer of $44/share). Given that the revised bid is about $0.20/unit less accretive to cash flow than ETE's previous offer, we are lowering our valuation range for ETE by $1 to $47-50/unit. Notwithstanding, we are maintaining our positive outlook for all three Energy Transfer affiliated companies with a bias towards ETE. Our revised valuation range still implies meaningful upside for ETE. Additionally, even if ETE is unsuccessful, the partnership would benefit from $181MM of break-up fees, which could be used to pay down debt and generate $0.06/unit of interest expense savings (i.e. implies a DDM valuation of $49 per unit).

- **Is Another Bid Forthcoming? How High Could ETE Bid?** We estimate ETE could theoretically bid as high as $47/share for SUG while still generating long-term accretion for ETE unitholders. However, a bid meaningfully above the current offer of $44.25/share would generate only modest accretion (i.e. less than 5%). Further, the highest price ETE could pay may be limited by financing constraints. Finally, the potential accretion would need to be weighed relative to the execution risk tied to the transaction, in our view.

- **Overview Of Deal Economics.** The acquisition is accretive to ETE's DCF/unit by an estimated $0.47 in 2012, $0.29 in 2013, and $0.12 in 2014. Our accretion estimates include the impact of the proposed Citrus drop down and a potential drop down of SUG's G&P assets in 2013. DCF accretion decreases over time primarily due to an assumed step-up in SUG's effective cash tax rate (i.e. to 30% in 2014 versus 0% in 2012). However, beginning in 2016, ETE should benefit from an incremental $0.20/unit of accretion due to the expiration of its annual $55MM IDR subsidy. Pro forma for potential drop downs and the expiration of ETE's GP subsidy (2016), we estimate ETE's acquisition of SUG could support an annualized distribution increase of at least $0.24/unit (or 9%).

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Please see page 15 for rating definitions, important disclosures and required analyst certifications

Schedule MS-4

Quick Overview Of ETE's Revised $44.25 Per Share Offer For SUG

On 7/19/11, Energy Transfer Equity (ETE) announced a revised merger agreement to acquire Southern Union Company (SUG) for $9.4B, including $5.7 billion in cash and ETE common units. The revised offer equates to $44.25 per share for SUG investors (up from the previous offer of $40, ETE's original offer of $33, and above a competing offer for $44 per share). Under terms of the revised merger, SUG shareholders can elect to receive $44.25 in cash or 1.000x ETE common units or a combination. The maximum cash component is 60% of the aggregate and the equity component could be between 40% and 50%. If SUG shareholders elect to receive more than 60% cash in aggregate, then ETE units and cash would be apportioned on a pro rata basis.

ETE has secured approximately $3.3 billion in committed financing from Credit Suisse to fund the cash consideration to SUG shareholders. In addition, ETE announced that subject to closing the transaction, the partnership would sell its 50% interest in Citrus (which owns Florida Gas Transmission) to ETP for $2.0B. The balance of the SUG transaction would be funded with ETE units. Notably, ETE plans to give up a total of $220MM of IDRs over the next four years (or $55MM per year) following the closing of the transaction in order to reduce dilution/ enhance accretion for ETP unitholders.

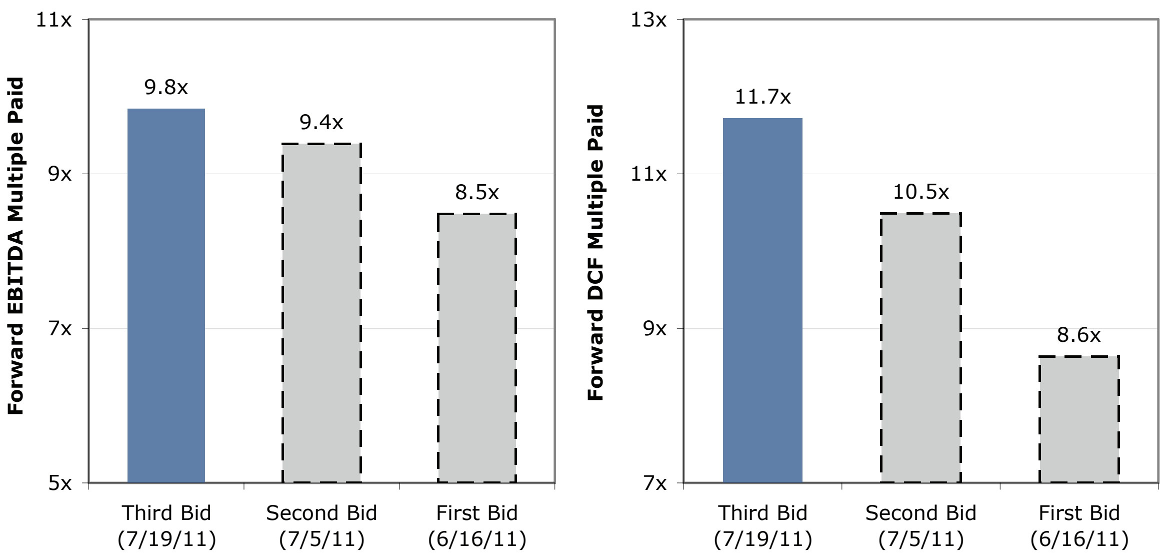
Other Notable Details Of The Transaction

- ETE has signed support agreements from shareholders (management) representing 14% of SUG's total shares outstanding, who will pre-elect to receive ETE common units.
- The merger agreement includes a breakup fee of $181.3MM payable to ETE by SUG if the transaction is not completed (up from $162.5MM in the previous merger agreement and $93.5MM in the initial agreement).
- ETP has a right of first offer with respect to the sale of Southern Union Gas Services (i.e. SUG's gathering and processing assets in the Permian Basin).
- SUG shareholders electing to receive cash as consideration will be fully taxable on gains realized from the sale. Alternatively, shareholders electing ETE common units will defer taxes for that portion of the consideration received.
- The transaction would potentially represent the first time that ETE has issued new units since its IPO in early 2006.

Overview Of Deal Economics

If approved, we estimate ETE would be acquiring SUG at multiples of 9.8x forward EBITDA and 11.7x forward DCF. In comparison, ETE's previous bid for SUG carried implied EBITDA and DCF multiples of 9.4x and 10.5x, respectively, based on our calculations. To note, our EBITDA multiple calculations include SUG's 50% interest in debt at Citrus (i.e. 50% of an estimated $2.9B of debt currently at Citrus, or $1.45B).

Figure 1. Comparison Of ETE's Bids For Southern Union



($ in millions)	**Third Bid (7/19/11)**	**Second Bid (7/5/11)**	**First Bid (6/16/11)**
Proposed consideration for SUG ($/share)	$44.25	$40.00	$33.00
(+) Cash & equity investment	$5,700	$5,100	$4,200
(+) Debt at SUG	$3,700	$3,800	$3,700
(+) Debt at Citrus (50%)	$1,450	$1,450	$1,450
Total consideration	$10,850	$10,350	$9,350
(/) 2012E SUG EBITDA + synergies	$1,103	$1,103	$1,103
Forward EBITDA multiple	**9.8x**	**9.4x**	**8.5x**
Cash & equity investment	$5,700	$5,100	$4,200
(/) 2012E SUG FCF + synergies	$486	$486	$486
Forward cash flow multiple	**11.7x**	**10.5x**	**8.6x**

Source: Company data and Wells Fargo Securities, LLC estimates

The acquisition is accretive to ETE's DCF/unit by an estimated $0.47 in 2012, $0.29 in 2013, $0.12 in 2014, and $0.22 in 2015. Our accretion estimates include the impact of the proposed Citrus drop down and a potential drop down of SUG's G&P assets in 2013. DCF accretion decreases between 2012 and 2014 primarily due to an assumed step-up in SUG's effective cash tax rate (i.e. to 30% in 2014 versus 0% in 2012). However, beginning in 2016, ETE should benefit from an incremental $0.20 per unit of accretion due to the expiration of its annual $55MM IDR subsidy. Pro forma for potential drop downs and post GP subsidies (2016), we estimate ETE's acquisition of SUG could support an annualized distribution increase of at least $0.24 per unit (or 9%).

Figure 2. ETE Estimates Pro Forma For Revised SUG Acquisition

Key Near-Term Assumptions	($MM)
Total investment	$5,642
Debt financing (%)	60%
Debt proceeds	$3,385
Assumed interest rate	6.0%
Equity financing (%)	40%
Equity proceeds	$2,257
Drop down proceeds	$2,000

Key Longer-Term Assumptions	
9.5x	Assumed multiple for G&P DD
$1,995	Total size of G&P asset DD
70%	Percent sold to ETP
30%	Percent sold to RGNC
50%	Assumed equity financing (%)

($MM, except per unit data)	2012E	2013E	2014E	2015E	Notes
(+) ETE EBITDA	$755	$841	$891	$944	
(+) SUG EBITDA	$1,040	$1,110	$1,110	$1,150	← 2011G + capex @ 8x multiple
(+) Potential synergies	$63	$75	$100	$100	← Assume lag before full synergies
(-) Citrus EBITDA (50%)	$300	$340	$340	$340	← 2011G + FGT Phase VIII
(-) G&P EBITDA		$150	$120	$120	← Assume G&P drop down 2013
(-) Synergies associated with DDs	$10	$53	$70	$70	← $10MM to Citrus / $60MM to G&P
Total EBITDA	**$1,548**	**$1,484**	**$1,571**	**$1,664**	
(+) ETE cash interest expense	$160	$160	$151	$141	
(+) SUG interest expense	$240	$240	$230	$230	← 2011G + FCF > capex
(+) Citrus interest expense	$90	$90	$90	$90	← 2011G + no growth capex
(+) Total SUG interest expense	$330	$330	$320	$320	
(+) Debt financing costs	$203	$203	$203	$203	← $3.1B @ 6% interest rate
(-) Drop down savings	$210	$330	$330	$330	← Drop downs + Citrus debt
Total interest expense	**$483**	**$363**	**$344**	**$335**	
(+) ETE maintenance capex	$0	$0	$0	$0	
(+) SUG maintenance capex	$220	$220	$220	$220	
(+) Citrus maintenance capex	$80	$80	$80	$80	
(+) Total SUG maintenance capex	$300	$300	$300	$300	← Assume flat maintenance capex
(-) Drop down savings	$80	$112	$106	$106	← Citrus + G&P maint. capex
Total maintenance capex	**$220**	**$188**	**$194**	**$194**	
(+) ETE cash taxes & other	$0	$0	$0	$0	
(+) SUG cash taxes & other	$1	$69	$138	$147	← Bonus DD&A shields from taxes
(-) Drop down savings	$0	$45	$87	$87	← Citrus cash taxes
Effective tax rate (%)	0.3%	15.0%	30.0%	30.0%	← Assume cash tax rate increases
Total other costs	**$1**	**$23**	**$51**	**$60**	
(+) ETE DCF	$595	$681	$740	$802	
(+) SUG DCF	$409	$411	$352	$383	
(+) Potential synergies	$63	$75	$100	$100	
(-) Citrus EBITDA (50%)	$300	$340	$340	$340	
(-) G&P EBITDA	$0	$150	$120	$120	
(-) Synergies associated with DDs	$10	$53	$70	$70	
(-) Debt financing costs	$203	$203	$203	$203	
(+) Total drop down savings	$290	$442	$436	$436	
(+) IDRs from new equity at ETP/RGNC	$75	$111	$114	$115	
(-) IDR subsidy	$55	$55	$55	$55	← Four years of IDR giveback
Total DCF	**$863**	**$920**	**$953**	**$1,048**	
(+) Old units outstanding	223.0	223.0	226.6	226.6	
(+) Potential new units issued	52.1	52.1	52.1	52.1	← $2.0B @ current ETE price
Total units outstanding	**275.1**	**275.1**	**278.7**	**278.7**	
ETE DCF per unit without SUG	$2.67	$3.06	$3.30	$3.54	
Pro forma DCF per unit with SUG	$3.14	$3.35	$3.42	$3.76	
DCF accretion per unit	**$0.47**	**$0.29**	**$0.12**	**$0.22**	
ETE distribution per unit without SUG	$2.67	$3.06	$3.30	$3.54	← Assumes 1.00x coverage
Yr/yr growth (%)	16%	14%	8%	7%	
ETE distribution per unit with SUG	$2.99	$3.19	$3.26	$3.58	← Assumes 1.05x coverage
Yr/yr growth (%)	30%	7%	2%	10%	
Distribution accretion per unit	**$0.31**	**$0.12**	**($0.05)**	**$0.04**	← $0.24 accretive post GP subsidy

Source: Company data and Wells Fargo Securities, LLC estimates

Key Assumptions Behind Our Accretion Analysis

To note, our accretion analysis is based on a number of assumptions as outlined in the section that follows.

SUG EBITDA. For 2011, management anticipates SUG to generate EBITDA of $930-1,000MM. For 2012, we have assumed SUG generates $1,040MM of EBITDA. Our 2012 EBITDA estimate is based on management's 2011 EBITDA guidance (i.e. $965MM based on the mid-point) plus incremental contributions from SUG's 2011 organic growth capex budget of $250MM and recently completed organic growth projects at Citrus (e.g. the $2.5B FGT Phase VIII expansion). Assuming SUG spends the same amount of growth capital in 2012 (i.e. $250MM) and a gradual ramp-up in demand charges at FGT, we calculate 2013 EBITDA at SUG of $1,110MM. To note, the aforementioned forecasts are based on rough estimates.

SUG Cash Taxes. For 2011, management does not anticipate SUG to pay cash income taxes outside of minimal taxes at the state level (i.e. $2MM). Management previously indicated that based on SUG's current pace of capex spending and bonus depreciation rules, cash taxes are unlikely to be significantly greater than 2011 levels over the foreseeable future. However, over the long-term, we anticipate cash taxes could increase as SUG loses the benefit of bonus depreciation rules and capex spending trends lower relative to historical levels (i.e. $2.5B FGT Phase VIII expansion). We have conservatively assumed that SUG's effective cash tax rate increases to 15% in 2013 and 30% in 2014. For every 5% increase in SUG's effective tax rate, we forecast a $0.08 negative impact to ETE's DCF per unit.

Drop Down Of Citrus To ETP. Pending the successful completion of ETE's proposed acquisition of SUG, ETE intends to sell its 50% interest in Citrus Corp. to Energy Transfer Partners, L.P. (ETP) for $1.9B of cash (plus $1.4-1.5B of associated debt at Citrus) and $100MM of ETP equity. Because ETE intends to forego $55MM of IDRs annually (for four years) in connection with the drop down, we calculate the acquisition should be modestly accretive to ETP in 2013 despite being transacted at a forward EBITDA multiple of roughly 11.5x. For modeling purposes, we have assumed the drop down closes on 1/1/12 and is financed by ETP with 50% debt and 50% equity (i.e. as a percentage of the total consideration, which includes debt at Citrus). The following figure outlines the assumptions behind our drop down accretion analysis in more detail.

Figure 3. Economics Behind Proposed Citrus Drop Down To ETP

Acquisition Assumptions ($MM):		**Financial Impact ($MM):**	**2012E**	**2013E**
Company	ETP	EBITDA	$300.0	$340.0
Cash investment	$2,000	(+) Potential synergies	$10.0	$10.0
Debt at Citrus (50%)	$1,450	(-) Maintenance capex	$80.0	$80.0
Total consideration	$3,450	(+) Maintenance reclassification	$20.0	$20.0
Forward EBITDA multiple	11.5x	(-) Interest expense	$103.8	$103.8
Maint. capex (% of EBITDA)	27%	Available cash flow	$146.3	$186.3
		(-) Incremental GP distribs.	$74.8	$79.3
Financing Assumptions ($MM):		(+) ETE IDR subsidy	$55.0	$55.0
Equity financing	86%	Distributable cash flow	$126.5	$161.9
Equity issuance	$1,725.0	**DCF per unit accretion**	**($0.04)**	**$0.10**
Current yield	6.7%			
Estimated distribution	$3.70	**Acquisition Metrics ($MM):**		
Implied unit price	$53.98	DCF per unit accretion	($0.04)	$0.10
New units issued	32.0	Max. distribution increase	($0.02)	$0.05
Long-term debt financing	14%	Percentage increase	-0.5%	1.4%
Long-term debt issuance	$275.0	Unlevered DCF return	6.4%	7.5%
Assumed rate	5.0%	WACC (no growth) based on financing	6.4%	6.4%
Equity (as a % of total consideration)	50%	Spread over WACC	-0.1%	1.1%
Debt (as a % of total consideration)	50%	Forward EBITDA multiple	11.5x	10.1x

Source: Company data and Wells Fargo Securities, LLC estimates

Drop Down Of G&P Assets To ETP And RGNC. Pending the successful completion of ETE's proposed acquisition of SUG, we have assumed that ETE sells its gathering & processing business (also known as Southern Union Gas Services or formerly Sid Richardson Energy Services Co.) to ETP and RGNC in 2013. ETP has a right of first offer with respect to the sale of SUGS. Management had previously noted that these assets were a prime candidate for drop down to the MLP. Given ETP's relatively large financing schedule (i.e. an estimated $2.4B of equity over the next two years to fund growth associated with LDH and the Citrus drop down), we have assumed RGNC will jointly participate in the acquisition of SUGS. For modeling purposes, we have assumed the business is sold at a 9.5x multiple (i.e. $2.0B of total consideration based on EBITDA of $150MM plus $60MM of assumed synergies) and completed on 1/1/13. Alternatively, ETE could monetize the assets for a higher multiple but provide ETP and RGNC with temporary IDR subsidies (i.e. similar to the Citrus drop down).

We forecast the drop down could be $0.03 per unit accretive to ETP in 2013. Please refer to the following figure for additional details around the assumptions in our accretion analysis.

Figure 4. Economics Behind Potential G&P Asset Drop Down To ETP (70%)

Acquisition Assumptions ($MM):		Financial Impact ($MM):	2013E
Company	ETP	EBITDA (70%)	$105.0
Total consideration for G&P assets	$1,995	(+) Potential synergies	$42.0
Percent of G&P assets sold to ETP	70%	(-) Maintenance capex	$22.1
Total investment by ETP	$1,397	(+) Maintenance reclassification	$0.0
Forward EBITDA multiple	9.5x	(-) Interest expense	$34.9
Maint. capex (% of EBITDA)	15%	Available cash flow	$90.0
		(-) Incremental GP distribs.	$30.2
Financing Assumptions ($MM):		(+) ETE IDR subsidy	$0.0
Equity financing	50%	Distributable cash flow	$59.8
Equity issuance	$698.3	**DCF per unit accretion**	**$0.03**
Current yield	6.7%		
Estimated distribution	$4.02	**Acquisition Metrics ($MM):**	
Implied unit price	$58.66	DCF per unit accretion	$0.03
New units issued	11.9	Max. distribution increase	$0.01
Long-term debt financing	50%	Percentage increase	0.3%
Long-term debt issuance	$698.3	Unlevered DCF return	8.9%
Assumed rate	5.0%	WACC (no growth) based on financing	8.1%
Equity (as a % of total consideration)	50%	Spread over WACC	0.9%
Debt (as a % of total consideration)	50%	Forward EBITDA multiple	9.5x

Source: Company data and Wells Fargo Securities, LLC estimates

We forecast the drop down could be $0.06 per unit accretive to RGNC in 2013. Please refer to the following figure for additional details around the assumptions in our accretion analysis.

Figure 5. Economics Behind Potential G&P Asset Drop Down To RGNC (30%)

Acquisition Assumptions ($MM):	
Company	RGNC
Total consideration for G&P assets	$1,995
Percent of G&P assets sold to RGNC	30%
Total investment by RGNC	$599
Forward EBITDA multiple	9.5x
Maint. capex (% of EBITDA)	15%

Financing Assumptions ($MM):	
Equity financing	50%
Equity issuance	$299.3
Current yield	6.5%
Estimated distribution	$2.06
Implied unit price	$31.00
New units issued	9.7
Long-term debt financing	50%
Long-term debt issuance	$299.3
Assumed rate	6.0%
Equity (as a % of total consideration)	50%
Debt (as a % of total consideration)	50%

Financial Impact ($MM):	2013E
EBITDA (30%)	$45.0
(+) Potential synergies	$18.0
(-) Maintenance capex	$9.5
(+) Maintenance reclassification	$0.0
(-) Interest expense	$18.0
Available cash flow	$35.6
(-) Incremental GP distribs.	$1.8
(+) ETE IDR subsidy	$0.0
Distributable cash flow	$33.8
DCF per unit accretion	**$0.06**

Acquisition Metrics ($MM):	
DCF per unit accretion	$0.06
Max. distribution increase	$0.03
Percentage increase	1.4%
Unlevered DCF return	8.9%
WACC (no growth) based on financing	6.6%
Spread over WACC	2.3%
Forward EBITDA multiple	9.5x

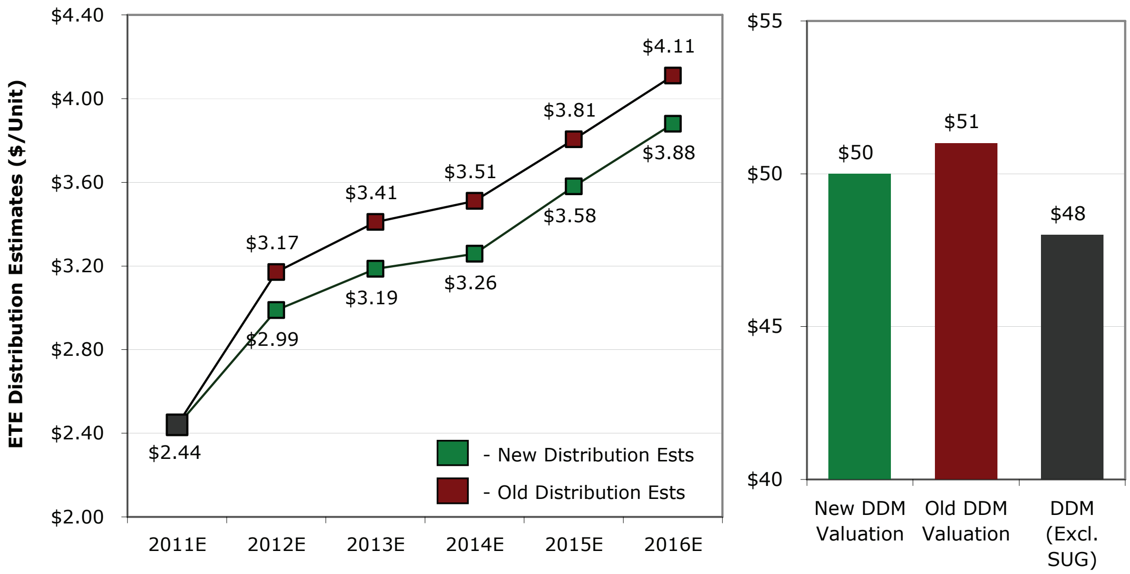
Source: Company data and Wells Fargo Securities, LLC estimates

Lowering Our ETE Distribution Estimates & Valuation Range Slightly

We are lowering our distribution estimates for ETE slightly to reflect the partnership's revised bid for SUG, which is less accretive than the partnership's previous offer (i.e. $44.25 per share consideration for SUG equity holders versus $40.00 per share of consideration previously). We now forecast ETE could increase its distribution by 9.8% over the next five years (2011-16E) versus 11.0% previously. Based on our pro forma distribution estimates for ETE (see following figure), we calculate a dividend discount model (DDM) valuation of $50 per unit for ETE, which is $1 per unit lower than our previous forecast.

Our valuation range for ETE of $47-50 per unit is based on a blend of (1) our distribution discount model, which assumes a long-term growth rate of 1.5%, and a 8.5% discount rate and (2) a price to distributable cash flow multiple of about 20.5x our 2011 estimate. Risks to ETE trading in the range include (1) execution risk on completing the acquisition of SUG (2) execution risk related to completing organic growth projects at ETP; (2) weak fundamentals in the natural gas market; and (3) abnormally warm weather.

Figure 6. Comparison Of New And Old Pro Forma ETE Distribution Estimates / Valuation



Source: Wells Fargo Securities, LLC estimates

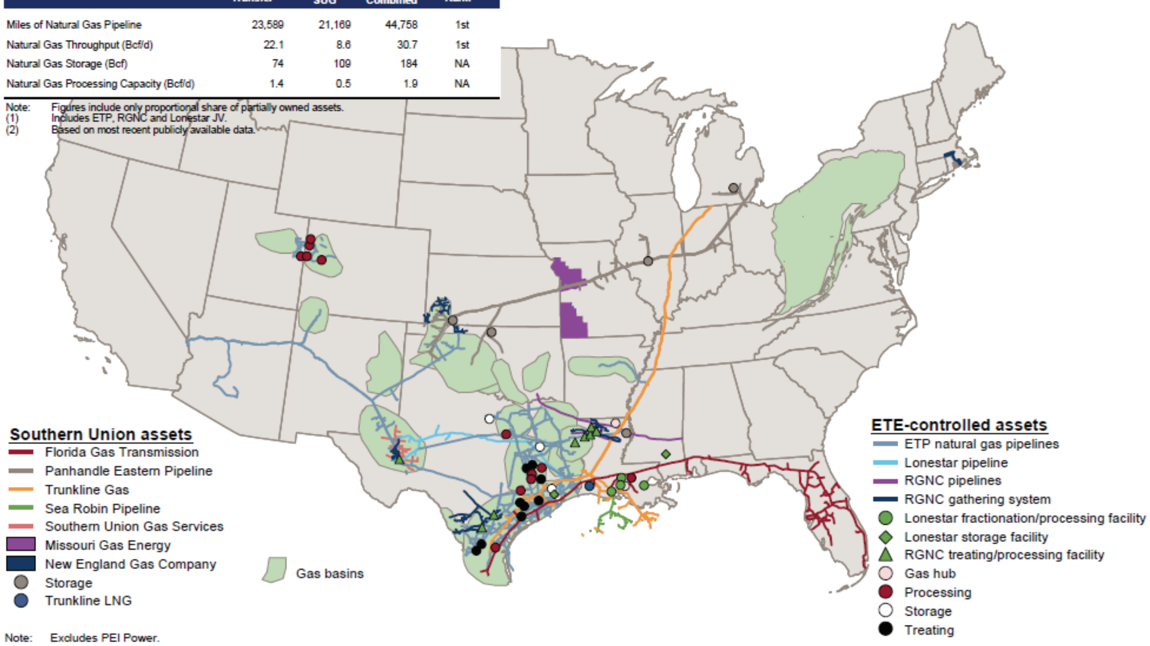
Appendix: SUG Asset Overview

Southern Union is is engaged in the transportation, storage, gathering, processing, and distribution of natural gas. Roughly 90% of SUG's 2011 EBITDA consists of fee-based activities. The company's transportation and storage segment consists of a vast FERC-regulated, interstate natural gas pipeline network spanning 15,000 miles with 7.8 Bcf/d of capacity, LNG import terminals, and 100 Bcf of owned/leased storage capacity. SUG's gathering and processing assets (68% POP, 13% KW with conditioning, and 19% fee-based) are located in the prolific Permian Basin, which is benefiting from a resurgence of drilling due to the application of shale-tested horizontal drilling and fracturing technologies. The distribution segment provides natural gas service to over 500,000 customers in Missouri (via Missouri Gas Energy) and 50,000 customers in New England (via New England Gas Company). The company's debt is investment grade rated (Baa3 by Moody's, BBB- by S&P, and BBB- by Fitch).

Figure 7. Map Of ETP, RGNC, And SUG's Assets

	Energy Transfer (1)	SUG	Combined	Rank(2)
Miles of Natural Gas Pipeline	23,589	21,169	44,758	1st
Natural Gas Throughput (Bcf/d)	22.1	8.6	30.7	1st
Natural Gas Storage (Bcf)	74	109	184	NA
Natural Gas Processing Capacity (Bcf/d)	1.4	0.5	1.9	NA

Note: Figures include only proportional share of partially owned assets.
(1) Includes ETP, RGNC and Lonestar JV.
(2) Based on most recent publicly available data.

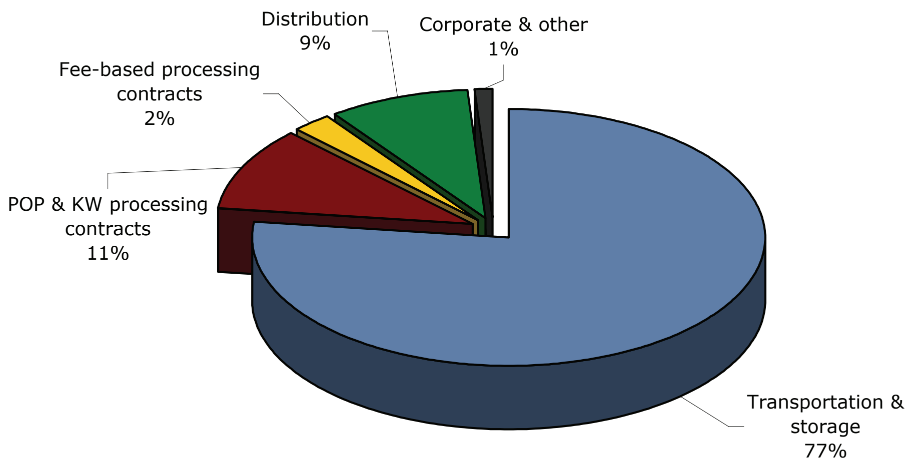


Source: Company data

Cash Flow Mix Is Primarily Fee-Based

As previously noted, the assets to be acquired generate predominantly fee-based revenue. The transportation and storage segment (fee-based with minimal volumetric risk) is forecast by management to generate 77% of 2011E EBITDA based on management's guidance. The natural gas distribution segment (fee-based) is expected to generate 9% of total EBITDA. To note, this segment does not generate MLP qualifying income; however, because total cash flow is expected to be less than 10% of ETE's overall cash flow mix, the assets can remain within the MLP structure. SUG's gathering and processing business (commodity exposure and volume risk) represents 13% of total EBITDA, of which roughly 11% is generated by commodity sensitive percentage of proceeds and keep whole contracts and 2% from fee-based contracts (based on equity volume guidance). To note, SUG has entered into hedges to mitigate commodity exposure associated with its processing business.

Figure 8. SUG 2011 EBITDA Guidance By Segment



Source: Company data and Wells Fargo Securities, LLC

Note: Estimates have not yet been updated to reflect the SUG acquisition.

Energy Transfer Partners, L.P. (ETP) - Operational Summary

Year ended December 31
($ in millions, except for per unit data)

Commodity Assumptions	FY2010A	*Q1'11A*	*Q2'11E*	*Q3'11E*	*Q4'11E*	FY2011E	*Q1'12E*	*Q2'12E*	*Q3'12E*	*Q4'12E*	FY2012E	FY2013E	FY2014E	FY2015E
Natural Gas - Henry Hub ($/Mcf)	$4.51	$4.22	$4.43	$5.03	$5.39	$4.77	$5.44	$5.28	$5.54	$5.90	$5.54	$5.90	$6.16	$6.16
Crude Oil - WTI ($/Bbl)	$79.60	$94.60	$102.34	$100.00	$97.50	$98.62	$97.50	$100.00	$105.00	$105.00	$101.89	$105.00	$90.00	$90.00
Natural Gas Liquids ($/Bbl)	$46.68	$54.90	$60.34	$58.30	$57.23	$57.69	$56.20	$55.55	$58.00	$60.12	$57.47	$58.76	$49.09	$51.15
NGL-To-Crude Oil Ratio	59%	58%	59%	58%	59%	58%	58%	56%	55%	57%	56%	56%	55%	57%
Summary Income Statement														
Intrastate Pipelines	639.5	173.7	151.4	174.9	172.4	672.4	176.7	167.2	185.3	191.6	720.8	786.4	840.5	926.4
Interstate Pipelines	218.4	79.7	92.9	99.4	107.3	379.3	118.6	122.1	123.3	123.3	487.2	489.5	489.4	489.3
Midstream	312.9	74.3	121.0	130.7	128.6	454.5	133.8	138.3	144.7	160.0	576.7	839.2	792.8	808.7
Propane	261.7	140.8	14.4	17.1	93.7	266.0	159.1	19.6	18.9	95.6	293.3	300.0	306.6	313.2
Total Segment EBITDA (gross)	1,432.5	468.4	379.7	422.2	501.9	1,772.2	588.1	447.2	472.2	570.5	2,078.1	2,415.1	2,429.4	2,537.6
(+) Non-cash G&A expenses	27.2	10.2	7.0	7.0	7.0	31.2	7.0	7.0	7.0	7.0	28.0	28.0	28.0	28.0
(-) JV partner share of EBITDA	-	-	-	(12.0)	(12.0)	(24.1)	(12.0)	(12.0)	(12.0)	(15.8)	(51.9)	(116.3)	(121.3)	(121.3)
(+) Other non-cash adjustments, net	73.3	(7.3)	(3.9)	(16.7)	5.4	(22.6)	-	-	(6.7)	2.7	(4.0)	(18.9)	12.2	12.2
Total EBITDA (net)	**1,533.0**	**471.3**	**382.8**	**400.4**	**502.3**	**1,756.8**	**583.1**	**442.2**	**460.4**	**564.4**	**2,050.1**	**2,307.9**	**2,348.3**	**2,456.5**
Net income	669.8	247.2	157.9	194.2	267.1	866.4	340.5	208.0	238.0	330.5	1,117.0	1,307.3	1,288.8	1,368.7
EPU	**$1.49**	**$0.71**	**$0.23**	**$0.37**	**$0.67**	**$1.98**	**$0.99**	**$0.37**	**$0.46**	**$0.83**	**$2.64**	**$2.89**	**$2.60**	**$2.79**
Average Units Outstanding	188.7	194.5	208.5	208.5	215.0	206.6	215.0	215.0	221.1	221.1	218.1	224.0	228.6	231.8
Distributable Cash Flow (DCF)														
Adjusted EBITDA	1,533.0	471.3	382.8	400.4	502.3	1,756.8	583.1	442.2	460.4	564.4	2,050.1	2,307.9	2,348.3	2,456.5
(-) Interest expense, net	412.6	104.9	114.2	120.7	119.8	462.0	124.0	123.8	122.4	122.1	492.2	546.4	558.1	571.3
(-) Maintenance capex	99.3	19.6	18.9	31.5	31.5	101.6	21.7	21.7	36.2	36.2	115.7	132.4	144.6	152.2
(-) Income tax expense	9.1	9.0	(0.4)	(0.2)	4.4	12.7	8.3	(0.1)	(0.1)	4.5	12.5	12.8	13.1	13.4
(-) JV DD&A and interest expense	22.5	7.5	4.1	4.5	5.0	21.1	6.1	6.1	6.1	6.1	24.3	26.2	26.2	26.2
(+) JV distribs in excess of earnings	20.9	4.7	2.2	2.4	2.8	12.1	3.2	3.2	3.2	3.2	12.6	12.6	12.6	12.6
(+) Other adjustments, net	11.2	2.2	-	(1.5)	(1.5)	1.4	(1.5)	(1.5)	(1.5)	(2.0)	(6.7)	(14.9)	(15.6)	(15.6)
Available Cash Flow	1,021.7	337.1	248.1	244.8	342.8	1,172.9	424.7	292.3	297.6	396.8	1,411.4	1,587.9	1,603.4	1,690.5
(-) Cash paid to GP	397.5	102.2	109.7	110.7	115.2	437.8	119.5	123.8	131.8	136.2	511.4	577.4	610.1	637.2
(-) Cash paid to class E units	12.5	3.1	3.1	3.1	3.1	12.5	3.1	3.1	3.1	3.1	12.5	12.5	12.5	12.5
Distributable Cash Flow	611.7	231.8	135.3	131.0	224.4	722.6	302.0	165.3	162.6	257.5	887.4	998.0	980.9	1,040.8
DCF Per Unit	**$3.24**	**$1.19**	**$0.65**	**$0.63**	**$1.04**	**$3.50**	**$1.40**	**$0.77**	**$0.74**	**$1.16**	**$4.07**	**$4.45**	**$4.29**	**$4.49**
Cash Distribution Declared Per Unit	**$3.58**	**$0.89**	**$0.89**	**$0.90**	**$0.90**	**$3.59**	**$0.92**	**$0.94**	**$0.96**	**$0.98**	**$3.82**	**$4.05**	**$4.14**	**$4.22**
Yr/Yr % Change	*0.0%*	*0.0%*	*0.0%*	*0.6%*	*1.1%*	*0.4%*	*3.4%*	*5.6%*	*7.2%*	*8.9%*	*6.3%*	*6.1%*	*2.3%*	*1.9%*
Distribution Coverage	0.94x	1.21x	0.83x	0.81x	1.10x	0.98x	1.32x	0.89x	0.85x	1.11x	1.04x	1.06x	1.02x	1.04x
Excess Cash Flow (Deficit)	(63.8)	58.2	(51.0)	(56.4)	30.1	(19.0)	103.4	(37.6)	(50.5)	39.9	55.3	91.1	34.6	62.6
Capital Expenditures														
Maintenance Capex	99.3	19.6	18.9	31.5	31.5	100.9	21.7	21.7	36.2	36.2	115.7	132.4	144.6	152.2
(as a % of EBITDA)	6%	4%	5%	8%	6%	6%	4%	5%	8%	6%	6%	6%	6%	6%
Acquisition Capex	150.0	-	1,380.4	-	-	1,380.4	-	-	-	-	-	-	-	-
Growth Capex	1,305.7	188.0	481.5	208.5	146.0	1,024.0	153.1	115.6	115.6	115.6	500.0	500.0	500.0	500.0
Contributions to JVs (ETP share)	141.8	-	207.0	-	52.5	259.5	238.4	238.4	238.4	185.9	901.3	70.0	-	-
Total Capex	**1,696.8**	**207.6**	**2,087.8**	**240.0**	**230.0**	**2,765.5**	**413.3**	**375.8**	**390.2**	**337.7**	**1,517.0**	**702.4**	**644.6**	**652.2**
Financing & Credit Metrics														
Equity Issuance Via Secondaries	929.0	-	717.5	-	350.0	1,067.5	-	-	350.0	-	350.0	350.0	200.0	200.0
Equity Issuance Via At Market Program [1]	239.3	57.4	-	-	-	57.4	-	-	-	-	-	-	-	-
Total Debt Outstanding	6,440	6,589	7,883	8,152	8,060	8,060	8,421	8,684	8,736	9,090	9,090	9,257	9,578	9,870
GAAP Debt / EBITDA (TTM)	4.2x	4.4x	5.1x	4.9x	4.6x	4.6x	4.5x	4.5x	4.4x	4.4x	4.4x	4.0x	4.1x	4.0x
Debt Incl. ETP Share Of NR Debt At JVs	6,910	7,071	8,033	8,302	8,210	8,210	8,571	8,834	8,886	9,240	9,240	9,407	9,728	10,020
Pro Forma Debt / EBITDA (TTM)	**4.5x**					**4.7x**	**4.6x**	**4.6x**	**4.5x**	**4.5x**	**4.5x**	**4.1x**	**4.2x**	**4.1x**

Note 1: Equity raised through at-the-market equity distribution program
Source: Partnership reports and Wells Fargo Securities, LLC estimates

Note: Estimates have not yet been updated to reflect the SUG acquisition.

Energy Transfer Equity, L.P. (ETE) - Operational Summary

Year ended December 31
($ in millions, except for per unit data)

Summary Income Statement	FY2010A	Q1'11A	Q2'11E	Q3'11E	Q4'11E	FY2011E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	FY2012E	FY2013E	FY2014E	FY2015E
ETP LP Interest	190.5	44.9	44.9	45.1	45.4	180.3	46.4	47.4	48.4	49.4	191.6	203.3	207.9	212.0
ETP GP Interest	395.5	108.1	109.1	110.1	114.6	441.9	118.9	123.2	131.1	135.5	508.7	574.4	606.9	634.0
RGNC LP Interest	35.1	11.7	11.7	11.7	12.0	47.0	12.0	12.1	12.1	12.4	48.7	51.6	55.0	58.4
RGNC GP Interest	6.7	2.4	2.5	2.5	3.1	10.5	3.1	3.5	3.5	4.1	14.3	20.4	29.3	48.0
(-) SG&A expense	21.9	1.8	2.0	2.0	2.0	7.8	2.0	2.1	2.1	2.1	8.2	8.4	8.6	8.9
Total EBITDA	**605.8**	**165.3**	**166.1**	**167.4**	**173.1**	**671.9**	**178.4**	**184.2**	**193.1**	**199.3**	**755.0**	**841.3**	**890.5**	**943.5**
Average Units Outstanding	222.9	223.0	223.0	223.0	223.0	223.0	223.0	223.0	223.0	223.0	223.0	223.0	224.3	226.6
Distributable Cash Flow (DCF)														
Adjusted EBITDA	605.8	165.3	166.1	167.4	173.1	671.9	178.4	184.2	193.1	199.3	755.0	841.3	890.5	943.5
(-) Interest expense, net [1]	122.7	40.1	39.8	39.8	39.8	159.4	39.9	39.9	39.9	39.9	159.7	160.0	150.6	141.2
(+) Other, net	2.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributable Cash Flow	485.1	125.2	126.4	127.6	133.3	512.4	138.4	144.3	153.2	159.4	595.3	681.3	740.0	802.3
DCF Per Unit	**$2.18**	**$0.56**	**$0.57**	**$0.57**	**$0.60**	**$2.30**	**$0.62**	**$0.65**	**$0.69**	**$0.71**	**$2.67**	**$3.06**	**$3.30**	**$3.54**
Distribution Declared Per Unit	**$2.16**	**$0.56**	**$0.63**	**$0.63**	**$0.63**	**$2.44**	**$0.63**	**$0.65**	**$0.69**	**$0.71**	**$2.67**	**$3.05**	**$3.30**	**$3.54**
Yr/Yr % Change	*1.2%*	*3.7%*	*15.7%*	*15.7%*	*15.7%*	*12.7%*	*11.6%*	*3.2%*	*9.6%*	*14.0%*	*9.5%*	*14.2%*	*8.1%*	*7.4%*
Distribution Coverage	1.01x	1.00x	0.91x	0.92x	0.96x	0.94x	0.99x	1.00x	1.00x	1.00x	1.00x	1.00x	1.00x	1.00x
Excess Cash Flow (Deficit)	3.6	0.3	(13.0)	(11.7)	(6.1)	(30.5)	(0.9)	0.5	0.5	0.5	0.6	1.8	(0.8)	0.8
Financing & Credit Metrics														
Equity Issuance Via Secondaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Outstanding	1,800	1,800	1,800	1,813	1,825	1,825	1,831	1,832	1,831	1,831	1,831	1,829	1,979	1,979
Debt / EBITDA (TTM)	**3.0x**	**2.9x**	**2.8x**	**2.8x**	**2.7x**	**2.7x**	**2.7x**	**2.6x**	**2.5x**	**2.4x**	**2.4x**	**2.2x**	**2.2x**	**2.1x**

Note 1: Includes cash distributions on preferred units
Source: Partnership reports and Wells Fargo Securities, LLC estimates

Note: Estimates have not yet been updated to reflect the SUG acquisition.

REGENCY ENERGY PARTNERS, L.P. (RGNC) - OPERATIONAL SUMMARY

Year ended December 31 *($ in millions, except for per unit data)*	FY2010A	*Q1'11A*	*Q2'11E*	*Q3'11E*	*Q4'11E*	FY2011E	FY2012E	FY2013E	FY2014E	FY2015E
Gathering and Processing	**236**	52	57	62	69	**241**	**291**	**325**	**335**	**373**
% of Total	**60%**	53%	57%	58%	60%	**57%**	**61%**	**62%**	**62%**	**63%**
Intrastate Transportation	**0**	0	0	0	0	**0**	**0**	**0**	**0**	**0**
% of Total	**0%**	0%	0%	0%	0%	**0%**	**0%**	**0%**	**0%**	**0%**
Compression	**157**	41	41	42	44	**169**	**177**	**186**	**200**	**213**
% of Total	**40%**	42%	41%	39%	38%	**40%**	**37%**	**36%**	**37%**	**36%**
Corporate	**0**	5	3	3	3	**13**	**10**	**10**	**10**	**10**
% of Total	**0%**	5%	2%	2%	2%	**3%**	**2%**	**2%**	**2%**	**2%**
Total segment gross margin	**393**	99	100	107	116	**422**	**478**	**521**	**545**	**595**
EBITDA	**325**	92	104	110	120	**425**	**493**	**595**	**612**	**645**
EPU	**($0.17)**	$0.07	$0.11	$0.12	$0.18	**$0.48**	**$0.61**	**$0.92**	**$0.84**	**$0.81**
Average units outstanding	**115.6**	137.3	141.6	145.8	150.7	**143.9**	**155.6**	**157.4**	**160.4**	**160.4**
Distributable cash flow (DCF)										
Net income	**(11)**	14	17	19	30	**79**	**106**	**162**	**161**	**172**
DD&A	**123**	40	40	41	41	**162**	**171**	**189**	**197**	**204**
Other adjustments	**67**	(5)	(2)	(2)	0	**(9)**	**0**	**0**	**0**	**0**
Equity in earnings	**(69)**	(24)	(29)	(33)	(34)	**(119)**	**(137)**	**(192)**	**(198)**	**(200)**
Distributions received from equity investments	**123**	36	45	49	50	**180**	**202**	**265**	**271**	**273**
Maintenance capex	**(15)**	(3)	(4)	(4)	(4)	**(14)**	**(17)**	**(19)**	**(20)**	**(21)**
Available cash flow	**217**	59	68	70	83	**280**	**325**	**405**	**411**	**429**
General partner's Interest	**(8)**	(2)	(2)	(2)	(3)	**(10)**	**(14)**	**(20)**	**(29)**	**(48)**
Distributable cash flow	**209**	57	66	68	80	**270**	**311**	**384**	**382**	**381**
DCF per unit	**$1.81**	$0.41	$0.46	$0.47	$0.53	**$1.88**	**$2.00**	**$2.44**	**$2.38**	**$2.37**
Cash distribution declared per unit	**$1.78**	$0.45	$0.45	$0.45	$0.46	**$1.79**	**$1.85**	**$1.97**	**$2.10**	**$2.23**
% sequential distribution growth		*0%*	*0%*	*0%*	*2%*					
% yr/yr distribution growth	***0%***	*0%*	*0%*	*0%*	*2%*	***1%***	***3%***	***6%***	***7%***	***6%***
Distribution coverage	**0.96x**	0.93x	1.01x	1.05x	1.12x	**1.03x**	**1.08x**	**1.22x**	**1.13x**	**1.06x**
Excess cash flow	**(8)**	(4)	1	3	9	**8**	**23**	**74**	**46**	**24**
% of total cash distribution										
General partner	**3.7%**	3.7%	3.7%	3.7%	4.3%	**3.8%**	**4.7%**	**6.2%**	**8.0%**	**11.9%**
Limited partners	**96.3%**	96.3%	96.3%	96.3%	95.7%	**96.2%**	**95.3%**	**93.8%**	**92.0%**	**88.1%**
Maximum potential distribution (MPD)	**$1.78**					**$1.79**	**$1.63**	**$1.97**	**$1.97**	**$2.06**
Capital expenditures										
Maintenance capex	**15**	3	4	4	4	**14**	**17**	**19**	**20**	**21**
Growth capex	**365**	63	63	63	85	**273**	**611**	**230**	**200**	**200**
Acquisitions / dropdowns	**877**	0	592	0	0	**592**	**0**	**0**	**0**	**0**
Total capex	**1,257**	66	658	66	89	**879**	**628**	**249**	**220**	**221**
Credit and operating metrics										
Equity issuances *($ in millions)*	**937**	0	204	0	150	**354**	**0**	**150**	**0**	**0**
Total debt *($ in millions)*	**1,141**	1,216	1,671	1,733	1,665	**1,665**	**2,253**	**2,269**	**2,415**	**2,587**
Net Debt/Cap	**25.5%**	26.8%	43.3%	45.0%	42.7%	**42.7%**	**53.0%**	**52.2%**	**55.9%**	**61.0%**
Debt/TTM EBITDA	**3.5x**	3.4x	4.2x	4.3x	3.9x	**3.9x**	**4.6x**	**3.9x**	**3.9x**	**4.0x**
Debt/EBITDA annualized	**2.8x**	3.3x	3.9x	3.9x	3.5x	**3.5x**	**4.3x**	**3.8x**	**3.8x**	**3.9x**
EBITDA/Interest Expense	**3.8x**	4.3x	4.9x	4.7x	4.6x	**4.6x**	**4.2x**	**4.3x**	**4.3x**	**4.1x**
Maintenance capex as a % of EBITDA	**5%**	4%	3%	3%	3%	**3%**	**3%**	**3%**	**3%**	**3%**

Source: Partnership reports and Wells Fargo Securities, LLC estimates

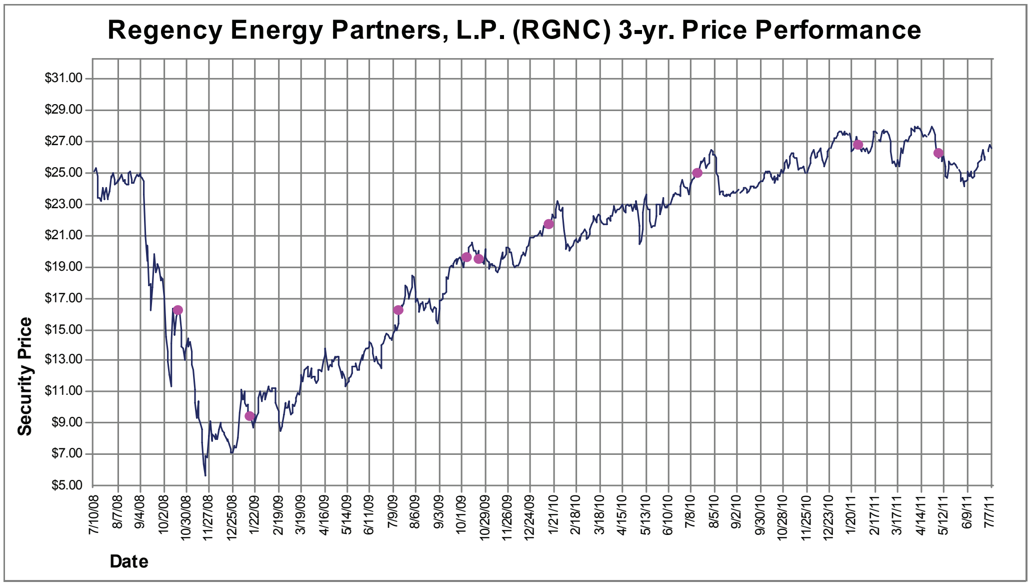
Valuation Range Information:

RGNC Basis and Risks: Our valuation range is based on a blend of (1) our three-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 1.25%, and (2) a price-to-distributable cash flow multiple of about 14x our 2011 estimate. Risks to the units trading below our valuation range include a slower-than-forecasted rate of investments, a decline in commodity prices, and rising interest rates.

ETE Basis and Risks: Our range is based on a blend of (1) our distribution discount model, which assumes a long-term growth rate of 1.5%, and a 8.5% discount rate and (2) a price to distributable cash flow multiple of about 21.0x our 2011 estimate. Risks to ETE trading in the range include (1) execution risk related to completing organic growth projects; (2) weak fundamentals in the natural gas market; and (3)abnormally warm weather.

ETP Basis and Risks: Our valuation range is based on a blend of (1) our three-stage distribution discount model, which assumes a required rate of return of 8.5% and a long-term growth rate of 1.25%, and (2) a price-to-distributable cash flow multiple of 15x our 2011 estimate. Risks to ETP achieving our valuation range include: (1) execution risk related to organic growth projects; (2) competition in the Texas-Louisiana natural gas market; and (3) abnormally warm weather.

Required Disclosures



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	7/10/2008		Blum			
	7/10/2008	NA	1	35.00	38.00	25.15
●	10/20/2008	15.83	1	20.00	22.00	16.27
●	1/15/2009	9.77	1	17.00	19.00	9.47
●	7/16/2009	15.40	1	18.00	20.00	16.24
●	10/7/2009	19.56	1	21.00	23.00	19.65
●	10/22/2009	20.03	1	22.00	24.00	19.55
●	1/15/2010	21.78	1	24.00	27.00	21.75
●	7/16/2010	25.00	1	26.00	29.00	25.01
●	1/28/2011	26.75	1	28.00	31.00	26.75
●	5/6/2011	25.99	1	27.00	30.00	26.29

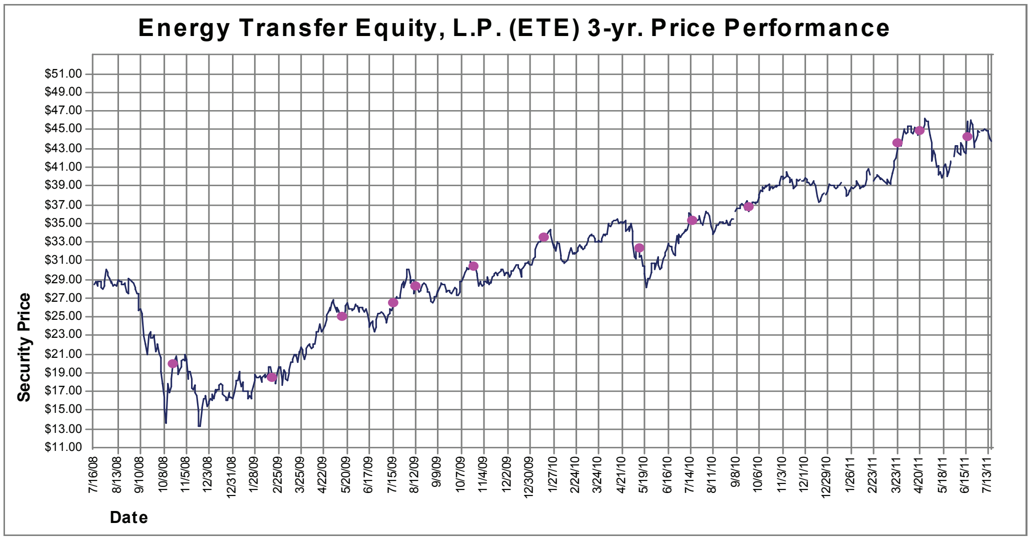
Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	7/16/2008		Blum			
	7/16/2008	NA	1	40.00	43.00	28.48
●	10/20/2008	18.31	1	31.00	35.00	20.03
●	2/18/2009	18.75	1	32.00	36.00	18.44
●	5/14/2009	25.29	1	34.00	38.00	24.99
●	7/16/2009	26.21	1	36.00	40.00	26.52
●	8/12/2009	27.45	1	35.00	38.00	28.30
●	10/22/2009	30.32	1	36.00	39.00	30.47
●	1/15/2010	33.36	1	38.00	41.00	33.44
●	5/12/2010	32.63	1	37.00	40.00	32.30
●	7/16/2010	35.46	1	39.00	43.00	35.24
●	9/22/2010	36.84	1	40.00	44.00	36.84
●	3/24/2011	42.89	1	43.00	47.00	43.59
●	4/20/2011	44.45	1	45.00	48.00	44.91
●	6/17/2011	45.61	1	48.00	51.00	44.24

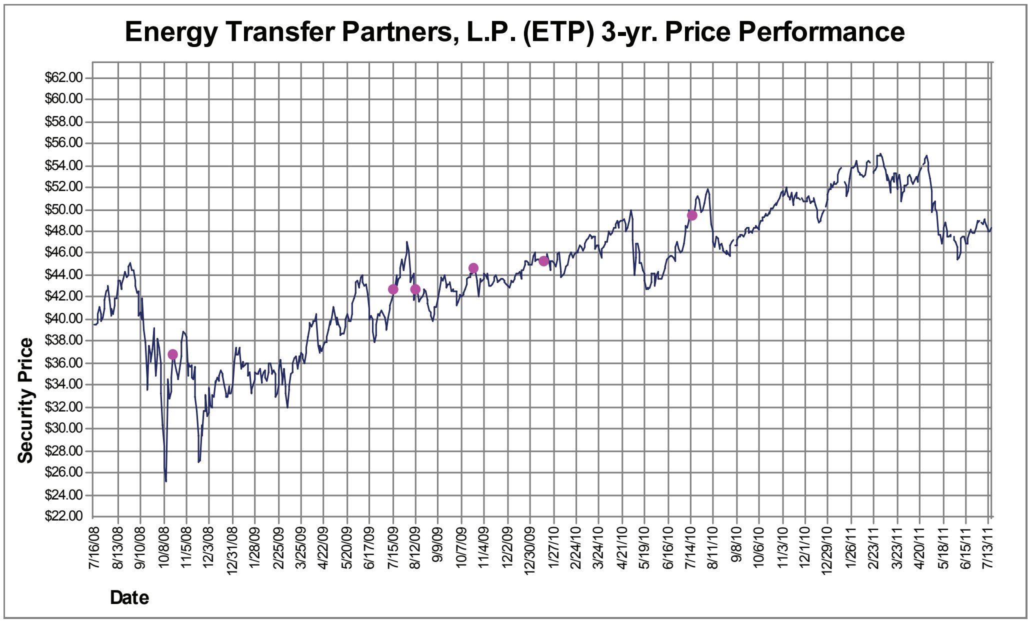
Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key

- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- ■ Analyst Change
- ❐ Split Adjustment

Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate



	Date	Publication Price ($)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price ($)
	7/16/2008		Blum			
	7/16/2008	NA	1	55.00	59.00	39.45
●	10/20/2008	34.64	1	48.00	51.00	36.80
●	7/16/2009	42.21	1	49.00	52.00	42.64
●	8/12/2009	41.82	1	47.00	50.00	42.77
●	10/22/2009	44.24	1	48.00	52.00	44.71
●	1/15/2010	45.09	1	51.00	55.00	45.34
●	7/16/2010	49.47	1	53.00	57.00	49.51

Source: Wells Fargo Securities, LLC estimates and Reuters data

Symbol Key
- ▼ Rating Downgrade
- ▲ Rating Upgrade
- ● Valuation Range Change
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Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

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ETE: Risks to ETE trading in the range include (1) execution risk related to completing organic growth projects; (2) weak fundamentals in the natural gas market; and (3)abnormally warm weather.
ETP: Risks to ETP achieving our valuation range include: (1) execution risk related to organic growth projects; (2) competition in the Texas-Louisiana natural gas market; and (3) abnormally warm weather.
RGNC: Risks to the units trading below our valuation range include a slower-than-forecasted rate of investments, a decline in commodity prices, and rising interest rates.

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2=Market Perform: The stock appears appropriately valued, and we believe the stock's total return will be in line with the market over the next 12 months. HOLD
3=Underperform: The stock appears overvalued, and we believe the stock's total return will be below the market over the next 12 months. SELL

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O=Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.
M=Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.
U=Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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V = A stock is defined as volatile if the stock price has fluctuated by +/-20% or greater in at least 8 of the past 24 months or if the analyst expects significant volatility. All IPO stocks are automatically rated volatile within the first 24 months of trading.

As of: July 21, 2011

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July 19, 2011

Industry View
In-Line

Energy Transfer (ETE) / Southern Union (SUG)

ETE Stays in the Fight

We believe a combination of $44.25 in cash and 1.0x ETE units for SUG shareholders is a better offer than WMB's current $44 cash offer. We still see accretion to ETE (see exhibit 5) and a 10.2x 2012e EBITDA multiple for SUG (including Citrus).

As expected, ETE willing to fight for SUG. Following WMB's revised $44/share all cash offer last week, ETE has returned with an improved offer to purchase SUG. The new offer values SUG at $9.4b (up from $8.9b), which includes the assumption of ~$3.7b of debt (excluding ~$1.3b of net Citrus Corp debt), under which SUG shareholders can elect to receive either $44.25 cash or 1.0 ETE common units. The maximum cash consideration is 60% while the ETE common unit component can fluctuate between 40 – 50%. On Exhibit 5, we highlight that at 55% cash and 45% stock consideration, we see the future deal value to SUG shareholders at ~$50-52/share. If this deal closes, we see benefits to ETE (even at this very high price): a larger midstream platform, new demand-centric and fee based natural gas pipelines, and additional organic growth opportunities (e.g., west Texas G&P, possible LNG exporting), while offering both immediate accretion and future dropdown potential into ETP. While a WMB counterbid is still possible, winning this battle could prove difficult given the upside ETE's bid offers and SUG board support.

Terms of dropdown of 50% Citrus interest into ETP also revised upward to $2.0b (from $1.9b). We calculate a 10.9x 2012e EV/EBITDA transaction multiple, including ~$1.3b of proportional Citrus debt assumed. Assuming $55m in annual incentive distribution payment giveback by ETE and some equity funding by ETP, we calculate the transaction as neutral to ETP and ETE (see Exhibit 6). The Citrus transaction is subject to the SUG merger closing. Additionally, future asset dropdown potential outside of Citrus could continue to make the SUG transaction beneficial to ETE. *Please see p. 2-4 for a review of the transaction.*

Key Ratios and Statistics — Rating: **Overweight**
Reuters Symbol: ETE.N
Midstream Energy MLPs / United States of America

Price target		**$50.00**
Shr price, close	7/18/2011	**$44.03**
Mkt cap, curr (mm)		$9,817
52 - Week Range	$47.34 -	$32.61

Fiscal Year ending	12/10	12/11e	12/12e	12/13e
ModelWare EPS ($)	**1.42**	**1.76**	**2.25**	**2.35**
Prior ModelWare EPS ($)	-	-	-	-
P/E	**27.5**	**25.0**	**19.5**	**18.7**
Consensus EPS ($)§	**1.46**	**1.91**	**2.46**	**2.35**
EBITDA	1,534	1,903	2,084	2,220
EV/EBITDA	14.0	12.9	12.0	11.5
Div yld (%)	5.5	5.2	5.7	6.2
Div per shr ($)	2.16	2.30	2.51	2.75
Shrs out, diluted, avg (mm)	223	223	223	223

Key Ratios and Statistics — Rating: **Equal-Weight**
Reuters Symbol: SUG.N
Midstream Energy MLPs / United States of America

Price target		**$44.00**
Shr price, close	7/18/2011	**$43.33**
Mkt cap, curr (mm)		$5,416
52 - Week Range	$43.62 -	$22.02

Fiscal Year ending	12/10	12/11e	12/12e	12/13e
ModelWare EPS ($)	**1.76**	**1.97**	**2.19**	**2.38**
Prior ModelWare EPS ($)	-	-	-	-
P/E	**13.6**	**22.0**	**19.8**	**18.2**
Consensus EPS ($)§	**1.79**	**1.91**	**2.09**	**2.17**
EBITDA	767	839	905	949
EV/EBITDA	8.6	10.5	9.7	9.1
Div yld (%)	2.5	1.4	1.7	1.7
Div per shr ($)	0.60	0.60	0.75	0.75
Shrs out, diluted, avg (mm)	125	126	126	126

§ = Consensus data is provided by FactSet Estimates.
e = Morgan Stanley Research estimates

Transaction Overview

TRANSACTION SUMMARY

ETE to acquire SUG for $9.4b (excluding $1.3b in Citrus pro rata debt). The transaction consists of a cash and equity component.

CONSIDERATION

⇒ **Equity issuance.** SUG shareholders can exchange their common share for either $44.25 cash or 1.0 ETE common units. The cash component cannot exceed 60% of the total consideration, while the equity component can flex between 40 to 50% of total consideration.

⇒ **Financing.** The merger is not subject to any financing contingency as ETE has secured approximately $3.7b in committed financing from Credit Suisse to fund the cash consideration to SUG shareholders.

⇒ **Drop down potential.** In connection with the transaction agreement, ETE also announced binding agreement to drop down SUG's 50% interest in Citrus for a consideration of $2.0b in cash upon closing. The drop down of Citrus to ETP allows ETE to deleverage its balance sheet upon closing. Citrus owns a 100% interest in the Florida Gas Transmission Pipeline system.

⇒ **Approval.** The boards of directors of both companies have unanimously approved the revised agreement. Additionally, 14% of SUG shareholders have signed support agreements in favor of the transaction and pre elected to receive ETE common units as their consideration.

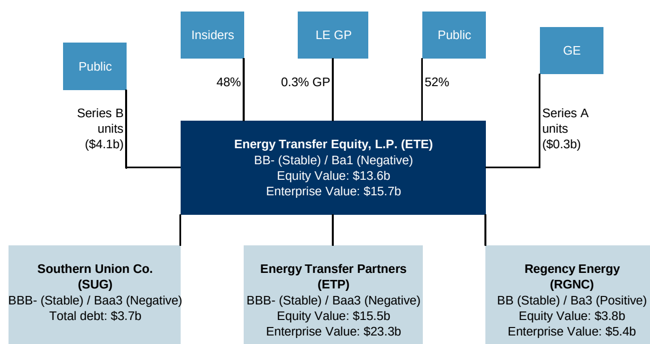
CLOSING

The transaction is expected to close in 1q 2012, subject to regulatory approval (state regulatory commissions, FERC and HSR) and SUG shareholder approval.

Exhibit 1
Combined ETE Asset Footprint Post-Transaction
transformational acquisition creates massive natural gas infrastructure enterprise

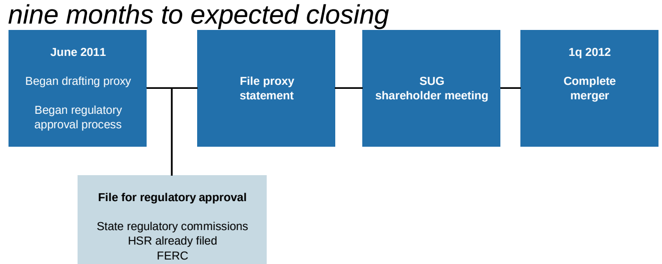
Source: Company data, Morgan Stanley Research

Exhibit 2
Organizational Chart Post-Transaction
ETP and RGNC would be public vehicles while SUG would be owned directly by ETE



Source: Company data, Morgan Stanley Research

Exhibit 3
Transaction Timeline
nine months to expected closing



Source: Company data, Morgan Stanley Research

Transaction Impact to ETE / ETP / RGNC – Big Impact to ETE

Impact to ETE: Modest Accretion, Long-Term Optionality

We estimate ~20% per unit distributable cash flow accretion from the transaction for ETE following two revisions to its initial offer. Of note, ETE has indentified $100m in commercial and operating synergies and $25m in one-time savings. Asset dropdowns provide additional future optionality to ETE.

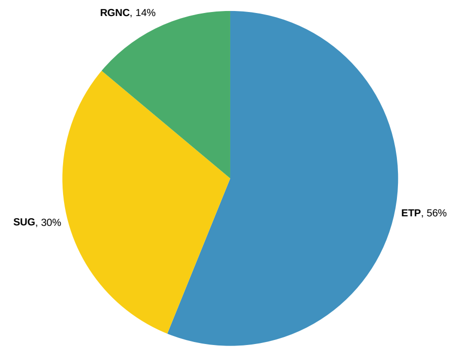
Impact to ETP: New Asset to Diversify Cash Flow

ETE intends to undertake an immediate asset dropdown to ETP (Citrus). Given the attractive interstate natural gas pipeline and Permian Basin gathering & processing assets acquired in the transaction, we view this as a potential positive for ETE, ETP, and RGNC (ETE owns the general partner), although note the challenges in structuring immediately accretive transactions given the current value of ETE's offer to purchase SUG. We estimate the Citrus dropdown is immediately neutral to both ETP and ETE on a per unit distributable cash flow basis. ETP also retains a right of first refusal on the gathering & processing assets.

Exhibit 4

ETE Pro Forma 2011E Adjusted EBITDA

ETE now owns the general partner and 50.2m limited partner units in ETP, the general partner and 26.3m limited partner units of RGNC and all of SUG directly.



Source: Company data, Morgan Stanley Research

Exhibit 5

Acquisition Potential to ETE

Assumptions ($ in 000s)		Comments
Total SUG Acquisition (excludes $3.3b Citrus)	**$ 7,400,000**	
EBITDA Return on Investment	10.1%	9.9x multiple
% SUG debt	50%	assumed debt of SUG
Value of debt (excludes Citrus)	$ 3,700,000	
Average interest rate	6.22%	
% new ETE debt	15%	cash portion - 55%
Value of debt	$ 1,135,000	*assumes $2.0b cash*
Average interest rate	6.50%	*from Citrus sale to ETP*
% new ETE equity	35%	equity portion - 45%
Value of equity issued	$ 2,565,000	
Unit price of equity issued	$ 44.00	
# of ETE units issued	58,295	1.0x ratio
SUG EBITDA (excluding Citrus)	**$ 747,000**	2012e MS estimate
Maintenance capex (excl Citrus)	(220,000)	29% of EBITDA
Interest on debt (excl Citrus)	(230,000)	Stand alone SUG
Interest on new ETE debt	(73,775)	
Other / taxes	(29,700)	10% of cash flow
Synergies	100,000	guidance from ETE
New distributable cash flow	$ 293,525	
Distributions to new ETE units	(145,739)	$ 2.50 annual rate
Total new distributable cash flow	**$ 147,786**	

Impacts to ETE	
Total new distributable cash flow	$ 147,786
# of pro forma ETE units outstanding	281,250
ETE immediate accretion from SUG	**$ 0.53**
Current ETE distribution run-rate	2.50
% accretion	*21%*
MS estimated ETE 1q13e ETE distribution (excl SUG)	$ 2.66
ETE immediate accretion from SUG	**0.53**
Possible future distribution run-rate	$ 3.19
Possible ETE trading yield	5.3%
Implied future ETE stock price	**$ 60.68**
Impacts to SUG	
ETE exchange ratio for SUG	1.000x
equity portion	45%
ETE future stock value to SUG shareholders	$ 27.30
Cash consideration	$ 44.25
cash portion	55%
Cash value to SUG shareholders	$ 24.34
Hypothetical total future value for SUG	**$ 51.64**
ETE Cost of capital	
Cost of debt capital	6.3%
% funded by debt initially	65%
Cost of debt component	4.1%
Cost of ETE equity	5.7%
Cost of ETE estimated distribution growth	0.6%
Cost of equity capital	6.3%
% funded by equity initially	35%
Cost of equity component	2.2%
ETE weighted average cost of capital	**6.3%**

Source: Company data, Morgan Stanley Research estimates

Exhibit 6

Potential Distribution Growth to ETP from Citrus Dropdown

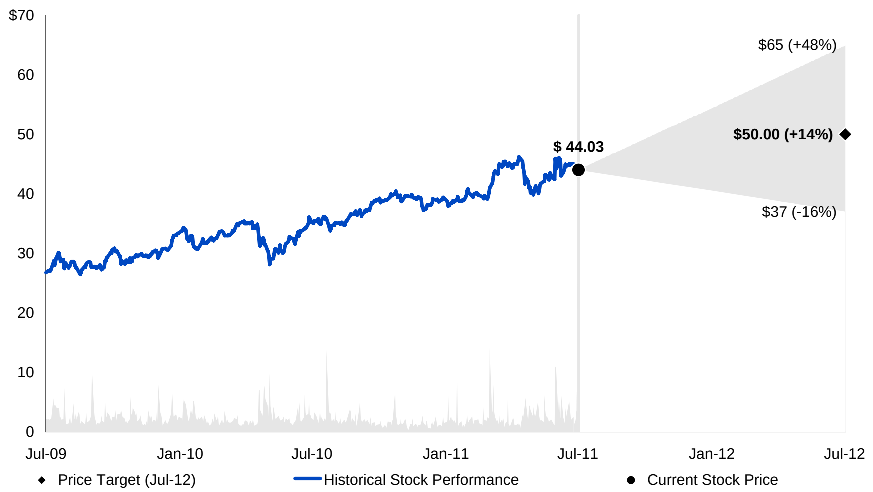
Assumptions ($ in 000s)			Comments	
Total Citrus acquisition Price	$	3,300,000		
EBITDA Return on Investment		9.15%	10.9x	EBITDA mulitple
% Citrus debt		39%		
Value of net 50% stake in Citrus debt	$	1,300,000		
Assumed rate		6.76%		
% new ETP debt issued		30%	to finance $2.0b in cash	
Value of new debt	$	1,000,000		
Assumed rate		6.00%		
% new ETP equity issued		30%	to finance $2.0b in cash	
New proceeds from equity	$	1,000,000		
ETP price of equity	$	46.00		
# of ETP units issued		22,645	4%	spread
2012e EBITDA	$	302,000	MS 2012 estimate	
Maintenance capex		(80,000)	26%	of EBITDA
Interest on new debt		(147,880)		
New distributable cash flow	**$**	**74,120**		
Distributions to new LP units		(81,069)	63%	
Distributions to GP on new LP units		(47,761)	37%	
Annual incentive give backs		55,000	IDR give back by ETE	
Cash left available	**$**	**290**		

Impacts to ETE and ETP		
IDR give back wipes out GP distr on new LP units	$	-
ETE 50% take of cash left available		145
ETE new GP cash take	$	145
ETP 50% take of cash left available	$	145
ETP units outstanding post equity		229,263
ETP accretion / dilution per unit	**$**	**0.00**
% change off current $3.58 payout		*0.0%*
ETP units owned by ETE		50,227
New ETP LP accretion to ETE	$	32
New ETP GP accretion to ETE		145
Total ETE new cash take	**$**	**177**
Assumed pro forma ETE units outstanding		281,250
ETE accretion per unit	**$**	**0.00**
% accretion off current $2.50 payout		*0.0%*
ETP cost of capital		
Cost of debt capital		6.4%
% funded by debt		70%
Cost of debt component		4.5%
Cost of LP equity		8.1%
Cost of GP equity		4.8%
Cost of ETP distribution growth		0.5%
Cost of equity capital		13.3%
% funded by equity		30%
Cost of equity component		4.0%
ETP weighted average cost of capital		**8.5%**

Source: Company data, Morgan Stanley Research estimates

Energy Transfer Equity (ETE, $44.03, Overweight, Price Target $50)

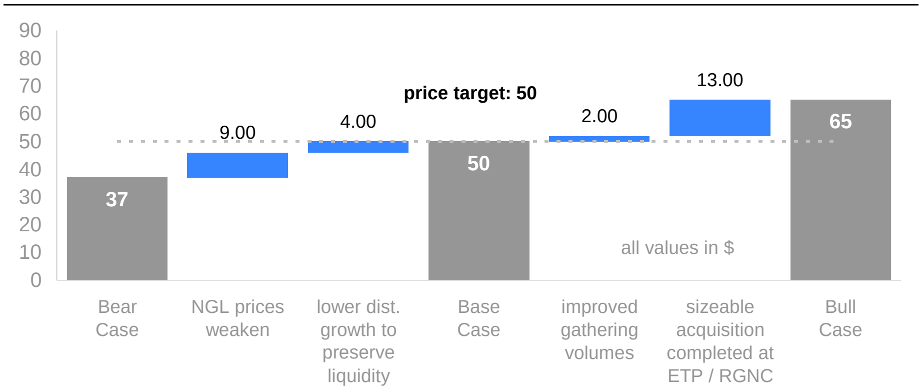
Risk-Reward View: A General Partner Stock with a Valuation Discount



Source: FactSet; Morgan Stanley Research

Price Target $50		Derived from our base case *(assumes modest yield improvement and continued distribution growth, albeit at lower levels than in previous years). See page 9.*
Bull Case $65	4.75% yield / 52% distr growth	**Above average growth as acquisitions get completed.** Completion of a large acquisition at RGNC jumpstarts strong growth at ETE. Commodity price improvement supports processing margin expansion.
Base Case $50	5.25% yield / 40% distr growth	**Kick started by RGNC and new ETP pipelines.** Investors gain confidence that ETE has the ability to resume distribution growth with several organic projects at ETP placed into service. RGNC interest provides additional avenues for growth.
Bear Case $37	6.25% yield / 7.5% distr growth	**Questioning ability to grow.** MLPs with direct commodity price exposure are sold off, including ETE given processing and propane exposure.

Bear to Bull



Source: Morgan Stanley Research

Why Overweight?

- Targeting emerging supply areas that need infrastructure. Strong growth potential given organic project and consolidation opportunities in the coming quarters.
- Purchase of SUG provides significant incremental cash flow and optionality through asset dropdowns.
- RGNC general partner interest provides a new, less developed platform.
- New, fee-based natural gas pipeline projects, additional equity financing at ETP, growth at RGNC could drive long-term 8% distribution growth while further lowering cash flow risk.

Key Value Drivers

- New intrastate (Texas Independence, Carthage Loop, Kay Expansion) and interstate (Fayetteville Express, Tiger) natural gas pipelines provide new sources of stable cash flow in growing, producing areas facing shortages of takeaway capacity.
- Gathering/processing/treating businesses represent a source of upside should prices rebound.
- Growth of RGNC general partner interest.

Potential Catalysts

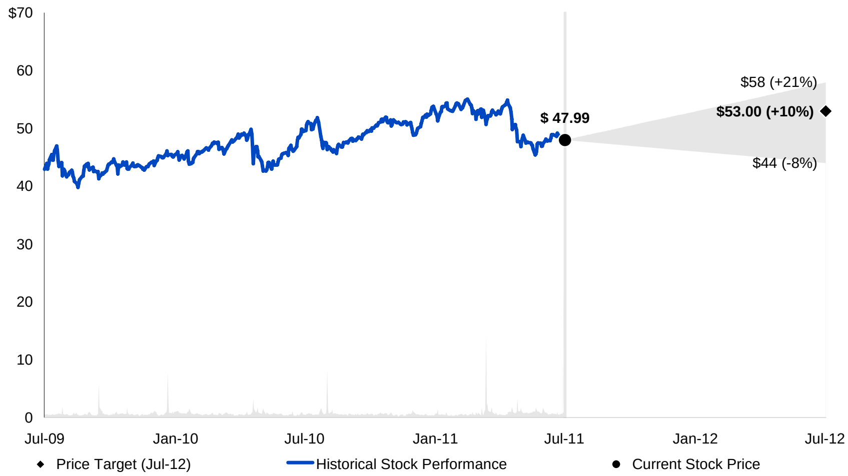
- Strong execution on existing operations and completion of growth projects.
- Equity offering by ETP and RGNC boosts growth multiplier at ETE.
- Acquisition announcement or large strategic action at RGNC.

Where We Could Be Wrong

- Processing risk creates cash flow shortfall, raising concerns about distribution safety.
- Difficulty identifying large new organic projects could make distribution growth more challenging.

Energy Transfer Partners (ETP, $47.99, Underweight, Price Target $53)

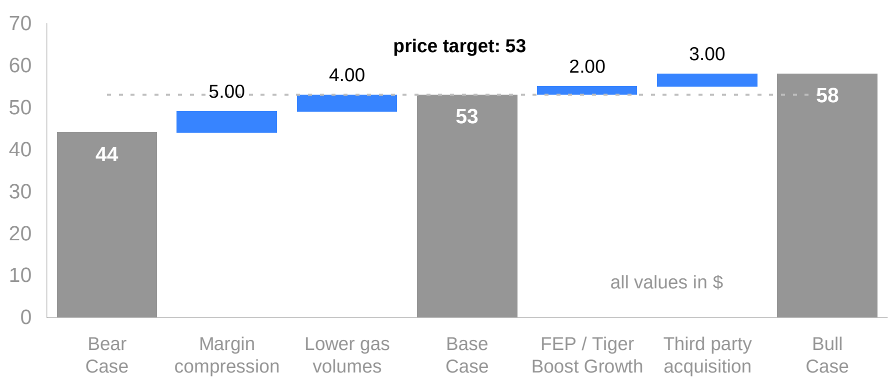
Risk-Reward View: Solid Asset Base But Growth Still Challenging



Source: FactSet; Morgan Stanley Research

Price Target $53		Price target derived from base case *(assumes static yield and modest distribution growth)*
Bull Case $58	6.5% yield / 5% distr growth	**Processing economics improve.** ETP is able to position itself once again as a growth infrastructure play in areas of prolific gas production, including emerging unconventional fields.
Base Case $53	7% yield / 4% distr growth	**Re-starting payout growth, but only modestly.** ETP uses its strong liquidity to fund its capital programs and is able to identify a new growth strategy through acquisitions and other shale opportunities, but struggles to translate capital investment into significant distribution growth acceleration.
Bear Case $44	8% yield / 0% distr growth	**Stuck in the mud.** Stock yields way above normal as investor fears about processing economics, basis differentials, and demand destruction return.

Bear to Bull



Source: Company data, Morgan Stanley Research

Why Underweight?

- High-quality intra- and interstate pipeline systems serving major natural gas basins (Barnett, Rockies, Texas Panhandle) with downstream integration through LDH assets. Strong liquidity position provides buffer should capital market access become more expensive.
- However, second largest general partner take of our universe makes for a higher cost of capital and less margin for error. Growth could prove more challenging as a result.
- Commodity price exposure in a variety of respects creates a degree of volatility in cash flows that presents a further challenge (but also provides long-term upside).

Key Value Drivers

- New pipeline projects and gathering and processing expansions that provide fee-based revenue and new platforms for future growth.
- Recovery in natural gas demand supportive of system volumes.
- Organic growth around NGL fractionation and storage assets as well as service bundling opportunities.

Potential Catalysts

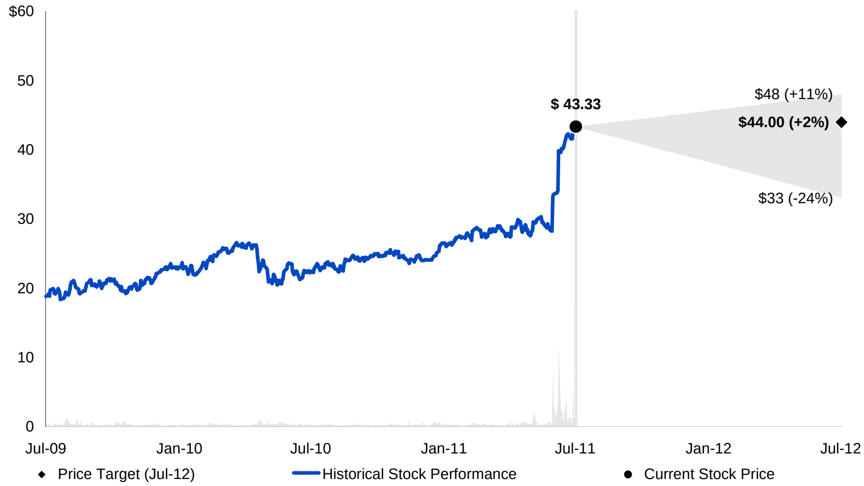
- Rebound in distributable cash flow supports distribution growth resumption.
- Acquisition announcement.
- Strong execution on existing operations and completion of new growth projects.

Where We Could Be Wrong

- Sharp rally in commodity prices improves processing economics.
- Investors gravitate to large cap MLPs trading at higher yields.

Southern Union Company (SUG, $43.33, Equal-weight, Price Target $44)

Risk-Reward View: ETE Transaction Sets Valuation for the Stock



Source: FactSet; Morgan Stanley Research

Price Target $44		Derived from base case average of four valuation methodologies
Bull Case $48	11x Trans. EV/EBITDA, 10.5x G&P EV/EBITDA	**Growth investment accelerates.** Beyond large announced projects (Trunkline South Texas, FGT Phase VIII), capital-spending acceleration in the Permian Basin could surprise currently muted growth expectations, while improvement in gathering/processing conditions could create material margin expansion.
Base Case $44	10.5x Trans. EV/EBITDA, 10x G&P EV/EBITDA	**Limited downside / project execution as planned.** Fairly limited major catalysts absent anticipation of uptick in natural gas production or a large acquisition, although broader restructuring theme could attract investor interest in MLP potential at SUG.
Bear Case $33	8x Trans. EV/EBITDA, 7x G&P EV/EBITDA	**Sustained pressure on gathering/processing volumes weighs on credit metrics/FGT Phase VIII does not get new commitments.** A credit downgrade could constrain growth by making capital prohibitively expensive relative to project returns. Earnings volatility in gathering/processing makes it difficult for investors to ascribe full valuation to attractive pipeline assets.

Sum-of-the-Parts Breakdown (one part of valuation methodology)

Southern Union Company	Value ($ m)	$/Share
Transportation and Storage	$8,646	$69
Gathering and Processing	958	8
Distribution	886	7
Value per Share	**$10,490**	**$84**
Net Debt	(5,020)	(40)
Net Equity Value	**$5,470**	**$44**
Shares Outstanding (in mm)		126

Source: Morgan Stanley Research

Why Equal-weight?

- Valuation set by sale to ETE, with likely redemption of Series B units received as consideration in 2012 at $33/unit.
- Potential transaction aside, strong pipeline growth from capital spending, but may take time to get executed and recognized given uncontracted capacity on FGT.
- Vast interstate natural gas pipeline (7.8 Bcf/d capacity) and storage (100 Bcf capacity) network, including LNG import terminal.
- Solid midstream footprint in oil basins in Texas, but needs to prove it can execute in its G&P segment and develop substantial new projects.

Key Value Drivers

- Access to diverse supply sources and growing markets in transportation and storage network creates longer-term opportunities for growth projects. Major projects such as FGT Phase VIII Expansion (~$150m of EBITDA net to SUG if fully contracted) and Trunkline South Texas ($7-9m EBITDA).
- Leverage to natural gas prices and processing spreads.
- Gas distribution business growth tied to customer growth and rate increase approvals.
- Possible LNG export project with BG with 25-year contract term.

Potential Catalysts

- Recovery in natural gas prices drives gathering/processing volumes.
- New projects announced in Texas oil plays.
- Dividend increase with free cash flow in 2012.

Where We Could Be Wrong

Deterioration in natural gas production fundamentals and continued recovery in processing spreads.

Exhibit 7

ETE Income Statement & Distributable Cash Flow

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E
Total Revenue	**$6,604,132**	**$5,805,088**	**$5,811,018**	**$5,856,351**
Cost of Product Sold	(4,115,243)	(3,028,351)	(2,823,376)	(2,721,770)
Gross Profit	**2,488,889**	**2,776,737**	**2,987,642**	**3,134,581**
Operating Expenses	(786,086)	(703,021)	(723,130)	(730,561)
Depreciation & Amortization	(431,649)	(444,222)	(434,133)	(445,484)
SG&A	(234,321)	(201,466)	(187,196)	(190,968)
Operating Income	**1,036,833**	**1,428,028**	**1,643,183**	**1,767,568**
EBITDA	**1,468,482**	**1,872,250**	**2,077,316**	**2,213,053**
Other Income (Loss)	(68,237)	(83,492)	(83,909)	(84,329)
Interest	(558,514)	(681,232)	(735,596)	(767,236)
Equity in earnings	65,220	30,389	6,714	6,849
Minority Interests	(143,822)	(257,952)	(283,747)	(354,684)
Income Tax Expense	(13,738)	(41,726)	(42,505)	(42,590)
Net Income Before GP Interest	**317,742**	**394,015**	**504,140**	**525,578**
GP Interest	(597)	(1,181)	(1,435)	(1,745)
Net Income Available to Limited Partners	**317,145**	**392,834**	**502,704**	**523,834**
Earnings Per Unit (Operating)	**$ 1.42**	**$ 1.76**	**$ 2.25**	**$ 2.35**
Weighted Average Diluted Number of Units Outstanding	222,941	222,955	222,955	222,955
Distributable cash flow				
(amounts in thousands, except per unit data)	**2010**	**2011E**	**2012E**	**2013E**
ETP Units - Direct Ownership	$190,531	$182,575	$190,611	$197,392
GP Interest in ETP	$19,523	$6,539	$2,304	$2,377
Incentive Distribution Rights on ETP Units	$375,959	$457,071	$527,800	$576,374
Total Cash Inflows from ETP	$586,013	$646,186	$720,715	$776,143
RGNC Units - Direct Ownership	$35,066	$48,331	$51,220	$52,796
GP Interest in RGNC	$3,640	$4,454	$4,415	$4,623
Incentive Distribution Rights on RGNC Units	$3,016	$8,439	$14,796	$18,727
Total Cash Inflows from RGNC	$41,722	$61,224	$70,431	$76,146
Total distributions expected from ETP and RGNC	$627,735	$707,410	$791,146	$852,289
(G&A)	(21,942)	(7,073)	(7,215)	(7,361)
(Interest Expense)	(122,728)	(161,684)	(164,942)	(168,265)
(GP Contributions to Maintain Interest)	2,046	0	0	0
Distributable Cash Flow Before GP Interest	$485,111	$538,653	$618,989	$676,663
GP interest	1,496	1,670	1,919	2,098
Distributable CF Available to Common Units	**$486,607**	**$540,323**	**$620,908**	**$678,761**
Units Outstanding	222,941	222,955	222,955	222,955
Distributable Cash Flow per Unit	$2.17	$2.41	$2.77	$3.03
ETE indicated distribution	**$ 2.16**	**$ 2.30**	**$ 2.51**	**$ 2.75**
% increase	1.2%	6.5%	9.1%	9.6%
Distribution Coverage	1.00x	1.05x	1.10x	1.10x

Source: Company data, Morgan Stanley Research

Exhibit 8

ETE Distribution Discount Model

Distribution Discount Model	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E
ETE distribution per unit	$ 2.30	$ 2.51	$ 2.75	$ 2.99	$ 3.23	$ 3.47	$ 3.71	$ 3.95	$ 4.19	$ 4.43	$ 4.67
Terminal value											$ 57.17
Total	$ 2.30	$ 2.51	$ 2.75	$ 2.99	$ 3.23	$ 3.47	$ 3.71	$ 3.95	$ 4.19	$ 4.43	$ 61.84
PV of distributions	$ 2.30	$ 2.30	$ 2.30	$ 2.29	$ 2.27	$ 2.23	$ 2.18	$ 2.13	$ 2.06	$ 2.00	$ 25.53
Growth rate in distribution	*6.5%*	*9.1%*	*9.6%*	*8.7%*	*8.0%*	*7.4%*	*6.9%*	*6.5%*	*6.1%*	*5.7%*	*5.4%*

Current Equity Value per Unit	**$47.59**
Equity Value per Unit - 12 Months Forward	**$49.70**

Assumptions	
1-5-year paid distribution CAGR	8.6%
6-10-year paid distribution CAGR	6.1%
Terminal Growth Rate	1.0%
Discount Rate	9.3%
Terminal Discount Rate	9.3%

Source: Company data, Morgan Stanley Research

Exhibit 9

ETP Income Statement

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Margin					
Midstream	$410,201	$433,053	$476,422	$504,093	$534,780
Intrastate transportation and storage	909,508	995,345	1,084,579	1,130,908	1,182,365
Interstate transportation and storage	292,419	465,181	486,415	507,284	530,365
Retail propane	644,904	692,205	771,525	806,630	843,332
Wholesale propane	-	-	-	-	-
Other	505,991	24,354	22,751	22,797	22,843
Eliminations	(252)	(3,158)	-	-	-
Total	**2,762,771**	**2,606,980**	**2,841,693**	**2971712**	**3113684**
Operating expenses	707,271	670,814	722,989	730,412	736,780
General and administrative	176,433	183,499	187,196	190,968	194,816
Deprecation and amortization	343,011	400,930	434,133	445,484	456,413
Other	-	-	-	-	-
Total	**1,226,715**	**1,255,243**	**1,344,318**	**1,366,865**	**1,388,010**
Operating income	**1,536,056**	**1,351,738**	**1,497,376**	**1,604,848**	**1,725,674**
EBITDA	**1,890,794**	**1,759,249**	**1,938,222**	**2,057,181**	**2,189,074**
Other income					
Equity in earnings (loss)	11,727	6,581	6,714	6,849	6,987
Gain (loss) on disposal of assets	(5,043)	(6,956)	(7,096)	(7,239)	(7,385)
Interest and other income	16,497	8,607	10,462	12,717	15,458
Interest expense	(412,553)	(487,465)	(544,886)	(568,323)	(591,761)
Total	**(389,372)**	**(479,232)**	**(534,806)**	**(555,996)**	**(576,701)**
Income before minority interests	**1,146,684**	**872,505**	**962,570**	**1,048,852**	**1,148,973**
Income tax	(15,536)	(42,420)	(42,505)	(42,590)	(42,675)
Net income (Operating)	**$ 1,131,148**	**$ 830,086**	**$ 920,065**	**$ 1,006,262**	**$ 1,106,298**
less G.P. 2% Interest in Net Income	13,065	18,105	21,297	23,359	25,736
less G.P. Incentive Distributions	374,664	444,751	506,503	553,015	595,936
Net Income Available for Limited Partners	**$ 743,419**	**$ 367,229**	**$ 392,265**	**$ 429,888**	**$ 484,626**
Net Income per Limited Partner Unit (Operating)	**$ 3.94**	**$ 1.74**	**$ 1.72**	**$ 1.83**	**$ 2.00**
Weighted Average Diluted Number of Units Outstanding	188,670	211,337	228,048	235,323	241,965

Source: Company data, Morgan Stanley Research

Exhibit 10

ETP Operating Data

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Midstream					
Natural gas MMBtu/d - sold	887,837	-	-	-	-
% increase y-o-y	*-17.8%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
NGLs bbls/d - sold	51,144	51,106	53,406	54,741	56,110
% increase y-o-y	*25.2%*	*-0.1%*	*4.5%*	*2.5%*	*2.5%*
Total Mboe	87,885	27,052	28,345	28,976	29,700
% increase y-o-y	*-26.9%*	*-69.2%*	*4.8%*	*2.2%*	*2.5%*
Margin per Mboe	$ 4.67	$ 16.01	$ 16.81	$ 17.40	$ 18.01
% increase y-o-y	*72.7%*	*243.0%*	*5.0%*	*3.5%*	*3.5%*
Transportation and storage					
Natural gas MMBtu/d - transported	12,251,457	12,278,808	12,708,566	12,962,738	13,221,992
% increase y-o-y	*-0.1%*	*0.2%*	*3.5%*	*2.0%*	*2.0%*
Natural gas MMBtu/d - sold	1,641,563	-	-	-	-
% increase y-o-y	*53.2%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Margin per MMBtu	$ 0.18	$ 0.22	$ 0.23	$ 0.24	$ 0.24
% increase y-o-y	*-12.5%*	*23.8%*	*5.0%*	*2.5%*	*2.5%*
Interstate transportation					
Natural gas MMBtu/d - transported	1,616,762	2,355,618	2,414,509	2,474,872	2,536,743
% increase y-o-y	*-2.7%*	*45.7%*	*2.5%*	*2.5%*	*2.5%*
Margin per MMBtu	$ 0.49	$ 0.54	$ 0.55	$ 0.56	$ 0.57
% increase y-o-y	*10.9%*	*10.8%*	*1.7%*	*2.0%*	*2.0%*
Propane gallons sold (000s)					
Retail	138,716	137,035	141,737	145,280	148,912
% increase y-o-y	*-2.4%*	*-1.2%*	*3.4%*	*2.5%*	*2.5%*
Total propane gallons sold	138,716	137,035	141,737	145,280	148,912
% increase y-o-y	*-2.4%*	*-1.2%*	*3.4%*	*2.5%*	*2.5%*
Retail propane margin per gallon	$ 4.65	$ 5.05	$ 5.44	$ 5.55	$ 5.66
% increase y-o-y	*-5.2%*	*8.7%*	*7.8%*	*2.0%*	*2.0%*

Source: Company data, Morgan Stanley Research

Exhibit 11

ETP Balance Sheet

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Cash and cash equivalents	$ 49,540	$ 845,070	$ 838,151	$ 834,941	$ 858,251
Marketable securities	2,032	2,653	2,680	2,707	2,734
Accounts receivable	556,995	579,482	591,159	603,071	615,223
Inventories	362,058	300,676	306,735	312,916	319,221
Deposits to vendors	-	-	-	-	-
Exchanges receivable	21,823	16,742	17,079	17,423	17,774
Risk management assets	13,706	12,973	13,234	13,501	13,773
Other	115,269	152,103	155,168	158,295	161,484
Total current assets	**1,121,423**	**1,909,699**	**1,924,206**	**1,942,853**	**1,988,461**
Property and equipment, net	9,801,369	11,525,724	11,834,495	12,131,772	12,417,973
Goodwill	781,233	781,233	781,233	781,233	781,233
Advances to affiliates	8,723	19,677	19,677	19,677	19,677
Intangibles and other l-term	437,244	516,165	626,676	739,918	855,957
Total assets	**$ 12,149,992**	**$ 14,752,498**	**$ 15,186,287**	**$ 15,615,453**	**$ 16,063,302**
Accounts payable	$ 329,174	$ 300,134	$ 306,182	$ 312,352	$ 318,646
Exchanges payable	15,451	20,603	21,018	21,442	21,874
Customer advances	-	-	-	-	-
Accrued liabilities	462,560	402,191	410,295	418,563	426,997
Risk management	-	-	-	-	-
Other	-	-	-	-	-
Short-term debt	35,265	35,080	35,080	35,080	35,080
Total current liabilities	**842,450**	**758,008**	**772,576**	**787,437**	**802,597**
Long-term debt	6,404,916	8,495,589	8,870,589	9,245,589	9,620,589
Other long-term liabilities	18,338	24,156	24,156	24,156	24,156
Deferred income taxes	140,851	155,281	155,281	155,281	155,281
Minority interest	-	-	-	-	-
Partners' capital - General Partner	174,618	179,496	177,192	174,815	172,371
Partners' capital - Limited Partner	4,542,656	5,124,006	5,170,532	5,212,213	5,272,346
AOCI	26,163	15,962	15,962	15,962	15,962
Total liabilities and equity	**$ 12,149,992**	**$ 14,752,498**	**$ 15,186,287**	**$ 15,615,453**	**$ 16,063,302**
Total debt / total capitalization	58.6%	62.5%	63.3%	64.0%	64.7%
Average debt / EBITDA	4.3x	4.2x	4.2x	4.1x	4.0x
EBITDA / Interest	3.4x	3.8x	3.8x	3.9x	4.0x
EBIT / Interest	2.6x	2.9x	3.0x	3.1x	3.2x
Total debt	$ 6,440,181	$ 8,530,669	$ 8,905,669	$ 9,280,669	$ 9,655,669
Average debt	6,128,677	7,712,284	8,718,169	9,093,169	9,468,169
Average interest rate	6.7%	6.3%	6.3%	6.3%	6.3%
D&A rate (% of total PPE)	3.7%	3.7%	3.7%	3.7%	3.7%

Source: Company data, Morgan Stanley Research

Exhibit 12

ETP Cash Flow Statement

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Cash from operating activities					
Net income	$ 617,222	$ 905,268	$ 1,064,862	$ 1,167,939	$ 1,286,824
Depreciation and amortization	343,011	400,930	434,133	445,484	456,413
(Gain) Loss on disposal of operating assets	5,043	6,956	7,096	7,239	7,385
Provision for deferred income taxes	-	-	-	-	-
Minority interest	-	-	-	-	-
Equity earnings	20,909	(6,581)	(6,714)	(6,849)	(6,987)
Asset impairment	-	-	-	-	-
Other	90,890	-	-	-	-
Changes in working capital	125,208	(57,720)	(6,859)	(6,997)	(7,137)
Net cash from operating activities	**1,202,283**	**1,248,853**	**1,492,518**	**1,606,817**	**1,736,498**
Cash from investing activities					
Capex, expansion capital	(1,251,479)	(765,272)	(750,000)	(750,000)	(750,000)
Capex, maintenance	(99,275)	(101,266)	(103,798)	(106,393)	(109,052)
Proceeds from sales	27,881	681	-	-	-
Proceeds from insurance reimbursements	-	-	-	-	-
Cash distribution to minority interest	-	-	-	-	-
Acquisitions	(177,920)	(1,353,060)	-	-	-
Advances to affiliates, net	(6,775)	(11,053)	-	-	-
Other	13,720	2,754	-	-	-
Net cash from investing activities	**(1,493,848)**	**(2,227,216)**	**(853,798)**	**(856,393)**	**(859,052)**
Cash from financing activities					
Issuance of new units	1,152,228	898,691	375,000	375,000	375,000
Distributions paid to LP unitholders	(672,133)	(766,735)	(865,535)	(924,883)	(980,019)
Distributions paid to GP	(393,869)	(457,860)	(530,104)	(578,751)	(624,116)
Capital contribution from parent / general partner	8,932	-	-	-	-
ST-Debt borrowings	-	-	-	-	-
ST-Debt repayments	-	-	-	-	-
LT-Debt borrowings	1,538,286	2,858,412	375,000	375,000	375,000
LT-Debt repayments	(1,345,439)	(758,615)	-	-	-
Offering costs	-	-	-	-	-
Deferred debt issuance costs	-	-	-	-	-
Other	(15,083)	-	-	-	-
Net cash from financing activities	**272,922**	**1,773,893**	**(645,639)**	**(753,634)**	**(854,136)**
Net change in cash	**(18,643)**	**795,530**	**(6,919)**	**(3,210)**	**23,310**
Cash at beginning of period	68,183	49,540	845,070	838,151	834,941
Cash at end of period	**$ 49,540**	**$ 845,070**	**$ 838,151**	**$ 834,941**	**$ 858,251**

Source: Company data, Morgan Stanley Research

Exhibit 13

ETP Distributable Cash Flow

(amounts in thousands, except per unit data)	2010	2011E	2012E	2013E	2014E
Net Income before GP interests	$ 653,263	$ 905,268	$ 1,064,862	$ 1,167,939	$ 1,286,824
Depreciation and amortization	343,011	400,930	434,133	445,484	456,413
Other	124,744	43,753	40,909	41,733	42,574
Maintenance capex	(99,275)	(101,266)	(103,798)	(106,393)	(109,052)
Total distributable cash flow	**$ 1,021,743**	**$ 1,248,686**	**$ 1,436,105**	**$ 1,548,764**	**$ 1,676,759**
Unit Structure					
Common Units	188,670	211,337	228,048	235,323	241,965
Total units outstanding	**188,670**	**211,337**	**228,048**	**235,323**	**241,965**
Indicated Distribution	$ 3.58	$ 3.64	$ 3.80	$ 3.93	$ 4.05
% Increase	0.00%	1.68%	4.40%	3.56%	3.05%
Total unit distribution coverage	**0.95x**	**1.02x**	**1.03x**	**1.03x**	**1.05x**

Source: Company data, Morgan Stanley Research

Exhibit 14

ETP Distribution Discount Model

Dividend Discount Model		**2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**
Available distributable cash flow per unit		$ 3.67	$ 3.85	$ 3.99	$ 4.14	$ 4.30	$ 4.47	$ 4.63	$ 4.81	$ 5.00	$ 5.22	$ 5.43
Actual paid distribution per unit		3.64	3.80	3.93	4.05	4.17	4.29	4.41	4.53	4.65	4.77	4.89
Coverage ratio at current distribution run-rate		1.02x	1.03x	1.03x	1.05x	1.06x	1.08x	1.10x	1.12x	1.15x	1.19x	1.22x
Paid distribution growth rates		1.7%	4.4%	3.6%	3.1%	3.0%	2.9%	2.8%	2.7%	2.6%	2.6%	2.5%
Terminal value of paid distribution												$55.24
PV of paid distributions per unit		$3.64	$3.49	$3.32	$3.13	$2.94	$2.75	$2.57	$2.39	$2.22	$2.05	$1.90
Sum of PV of paid distributions per unit	$30.39											
PV of terminal value	21.41											
Equity value per unit	**$51.81**											
Forecasted equity value per unit in 12 months	**$53.03**											
Other data												
1-5-year CAGR	3.4%											
6-10-year CAGR	2.7%											
Terminal growth rate	1.0%											
Average coverage ratio	1.10x											
Discount rate	9.3%											
Terminal discount rate	9.9%											

Source: Company data, Morgan Stanley Research

Exhibit 15

SUG Income Statement

(amounts in thousands except per share data)	2010	2011E	2012E	2013E	2014E
Operating revenues					
Gas distribution	698,513	659,503	671,283	699,480	723,305
Gas transportation and storage	769,450	791,868	811,696	836,210	861,463
Gas gathering and processing	1,008,023	1,050,884	1,102,981	1,125,041	1,147,541
Other	13,927	15,086	15,161	15,237	15,313
Total operating revenues	**2,489,913**	**2,517,341**	**2,601,122**	**2,675,967**	**2,747,622**
y/y percent change	*14.3%*	*1.1%*	*3.3%*	*2.9%*	*2.7%*
Operating expenses					
Cost of gas and other energy	1,259,579	1,251,952	1,276,991	1,302,530	1,328,581
Revenue-relates taxes	37,619	38,356	39,123	39,905	40,703
Operating, maintenance and general	475,690	464,439	476,745	490,486	505,269
Depreciation and amortization	228,637	236,097	239,973	244,803	249,731
Taxes, other than on income and revenues	55,776	60,244	61,010	62,237	63,489
Total operating expenses	**2,057,301**	**2,051,086**	**2,093,841**	**2,139,962**	**2,187,774**
Earnings from unconsolidated investments	105,415	136,364	157,545	168,691	180,628
Operating income	**538,027**	**602,619**	**664,825**	**704,697**	**740,476**
y/y percent change	*4.5%*	*12.0%*	*10.3%*	*6.0%*	*5.1%*
Segment EBIT					
Transportation and Storage	458,360	505,963	537,982	562,486	588,116
Gathering and Processing	41,394	765	27,742	38,125	43,478
Distribution	63,999	78,520	83,940	88,849	93,570
Other	(25,726)	17,372	15,161	15,237	15,313
EBITDA	**766,664**	**838,716**	**904,798**	**949,500**	**990,207**
y/y percent change	*5.2%*	*9.4%*	*7.9%*	*4.9%*	*4.3%*
Other income (expenses)					
Interest expense	(216,665)	(221,194)	(222,749)	(223,544)	(224,354)
Other, net	312	227	115	117	120
Total other expenses (net)	**(216,353)**	**(220,967)**	**(222,634)**	**(223,426)**	**(224,235)**
Earnings From Cont. Oper. Bef. Inc. Taxes	**321,674**	**381,652**	**442,191**	**481,270**	**516,242**
Federal and state income taxes	92,338	131,410	164,928	179,504	192,547
Earnings from continuing operations	**229,336**	**250,242**	**277,263**	**301,767**	**323,694**
Net earnings (before extra. items and pref. stock div.)	**247,436**	**250,242**	**277,263**	**301,767**	**323,694**
Preferred stock dividend	(5,040)	(2,883)	(2,898)	(2,912)	(2,927)
Loss from extinguishment of preferred stock	(3,295)	-	-	-	-
Net earnings available for common stock holders	**239,101**	**247,359**	**274,365**	**298,854**	**320,768**
Net Income from Continuing operations after Pref Div	**224,296**	**247,359**	**274,365**	**298,854**	**320,768**
Net Income per Share (Operating)	**$1.79**	**$1.97**	**$2.19**	**$2.38**	**$2.55**
Net Income per Share (GAAP)	**$1.73**	**$1.94**	**$2.19**	**$2.38**	**$2.55**
Average # of Shares Outstanding - Diluted	125,219	125,548	125,548	125,548	125,548

Source: Company data, Morgan Stanley Research

Exhibit 16

SUG Operating Data

Operating Data	2010	2011E	2012E	2013E	2014E
Transportation and Storage					
Panhandle natural gas volumes transported (Tbtu)	1,399	1,457	1,478	1,507	1,538
y/y percent change	*-6.2%*	*4.1%*	*1.5%*	*2.0%*	*2.0%*
Revenue/Tbtu transported	550	544	549	555	560
y/y percent change	*9.5%*	*-1.2%*	*1.0%*	*1.0%*	*1.0%*
Citrus and CCE Holdings nat gas volumes trans. (Tbtu)	418	498	567	595	625
y/y percent change	*1.7%*	*19.3%*	*13.8%*	*5.0%*	*5.0%*
Citrus Earnings/Tbtu transported	239	271	277	282	288
y/y percent change	*30.7%*	*13.3%*	*1.9%*	*2.0%*	*2.0%*
Gathering and Processing					
Volumes					
Natural gas sales (MMBtu)	81,760,690	81,711,145	88,466,356	91,120,347	92,942,754
y/y percent change	*-8.8%*	*-0.1%*	*8.3%*	*3.0%*	*2.0%*
Average pricing					
Gross Margin/ MMBtu	$2.36	$2.19	$2.39	$2.47	$2.52
y/y percent change	*97.3%*	*-7.4%*	*9.2%*	*3.5%*	*2.0%*
Distribution					
Gas sales volumes (MMcf)	56,522	56,614	57,746	58,901	60,079
y/y percent change	*-0.5%*	*0.2%*	*2.0%*	*2.0%*	*2.0%*
Revenue/MMcf sold	$4.16	$4.19	$4.27	$4.36	$4.44
y/y percent change	*6.7%*	*0.6%*	*2.0%*	*2.0%*	*2.0%*
Gas transported volumes (MMcf)	27,218	28,173	28,736	29,311	29,897
y/y percent change	*3.8%*	*3.5%*	*2.0%*	*2.0%*	*2.0%*

Source: Company data, Morgan Stanley Research

Exhibit 17

SUG Balance Sheet

(amounts in thousands except per share data)	2010	2011E	2012E	2013E	2014E
Current assets					
Cash and cash equivalents	3,299	163,284	249,156	355,685	460,818
Accounts receivable	320,753	350,893	357,964	365,177	372,536
Inventories	226,875	146,386	149,336	152,345	155,415
Deferred gas purchase cost	85,138	4,865	4,963	5,063	5,165
Gas imbalances - receivables	52,141	73,164	74,638	76,142	77,676
Prepayments and other assets	67,535	76,112	77,646	79,211	80,807
Total current assets	**755,741**	**814,705**	**913,703**	**1,033,622**	**1,152,417**
Net property, plant and equipment	**5,704,459**	**5,682,058**	**5,742,086**	**5,797,283**	**5,847,552**
Deferred charges					
Regulatory assets	66,216	64,373	64,373	64,373	64,373
Deferred charges	66,929	67,571	67,571	67,571	67,571
Total deferred charges	**133,145**	**131,944**	**131,944**	**131,944**	**131,944**
Unconsolidated investments	1,538,548	1,592,713	1,640,046	1,696,304	1,762,234
Goodwill	89,227	89,227	89,227	89,227	89,227
Other	17,423	25,537	25,537	25,537	25,537
Total assets	**8,238,543**	**8,336,184**	**8,542,543**	**8,773,917**	**9,008,911**
Current liabilities					
Long term debt due within one year	1,083	462,734	472,059	481,571	491,275
Notes payable	297,051	199,116	203,128	207,222	211,397
Accounts payable and accrues liabilities	218,531	187,190	190,962	194,810	198,735
Federal, state and local taxes payable	35,235	43,076	43,944	44,829	45,733
Accrued interest	37,464	58,025	59,194	60,387	61,604
Gas imbalances - payable	178,087	161,199	164,447	167,761	171,141
Other	204,247	186,610	190,371	194,207	198,120
Total current liabilities	**971,698**	**1,297,950**	**1,324,105**	**1,350,786**	**1,378,005**
Deferred credits	205,094	191,885	191,885	191,885	191,885
Accumulated deferred income taxes & other	1,013,863	1,040,608	1,040,608	1,040,608	1,040,608
Long term debt obligation	3,520,906	3,107,939	3,107,939	3,107,939	3,107,939
Shareholders equity	-	-	-	-	-
Common stock	125,839	125,922	125,922	125,922	125,922
Preferred stock	-	-	-	-	-
Premium on capital stock	1,920,622	1,923,916	1,923,916	1,923,916	1,923,916
Less treasury stock at cost	(30,532)	(30,714)	(30,714)	(30,714)	(30,714)
Less common stock held in trust	(10,857)	(10,392)	(10,392)	(10,392)	(10,392)
Deferred compensation plan	10,857	10,392	10,392	10,392	10,392
Accumulated other comprehensive loss	(40,157)	(41,392)	(41,392)	(41,392)	(41,392)
Retained earnings	551,210	720,070	900,274	1,104,967	1,312,742
Total stockholders equity	**2,526,982**	**2,697,802**	**2,878,006**	**3,082,699**	**3,290,474**
Total stock holders equity and liabilities	**8,238,543**	**8,336,184**	**8,542,543**	**8,773,917**	**9,008,911**
Average Total Debt	3,730,388	3,794,415	3,776,458	3,789,929	3,803,671
Average Net Debt	3,723,466	3,711,123	3,570,238	3,487,508	3,395,420
Net Debt/ Total Book Capitalization	59.8%	58.7%	56.2%	53.9%	51.6%
Average Debt/ EBITDA	4.9x	4.5x	4.2x	4.0x	3.8x
Average Interest Rate	5.8%	5.8%	5.9%	5.9%	5.9%

Source: Company data, Morgan Stanley Research

Exhibit 18

SUG Cash Flow Statement

(amounts in thousands except per share data)	2010	2011E	2012E	2013E	2014E
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Income Reported	**216,213**	**244,057**	**274,365**	**298,854**	**320,768**
Preference dividend	8,335	2,883	2,898	2,912	2,927
Net earnings	**224,548**	**246,940**	**277,263**	**301,767**	**323,694**
Depreciation and amortization	228,637	236,097	239,973	244,803	249,731
Amortization of debt expenses, net	-	-	-	-	-
Deferred income taxes	107,418	108,035	110,212	112,433	114,698
Provision for bad debts	8,681	-	-	-	-
Unrealized (gain) loss on derivative	18,514	14,744	-	-	-
Non-cash stock compensation	9,331	-	-	-	-
Earnings from unconsol. investments, adj. for cash dist.	(101,915)	(136,364)	(157,545)	(168,691)	(180,628)
Other	19,967	2,355	-	-	-
Changes in assets and liabilities:	(90,510)	-	-	-	-
Net cash flows provided by operating activities	**424,671**	**471,806**	**469,903**	**490,311**	**507,496**
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions in property, plant and equipment	(293,022)	(235,120)	(300,000)	(300,000)	(300,000)
Proceeds (payments) from sale of subsidiaries	-	-	-	-	-
Plant retirements and others	(99,469)	345	-	-	-
Net cash flows used in investing activities	**(392,491)**	**(247,275)**	**(300,000)**	**(300,000)**	**(300,000)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Decrease in book overdraft	(14,154)	(853)	-	-	-
Issuance of long-term debt	101,019	41,901	-	-	-
Issuance cost of debt and equity	(7,066)	-	-	-	-
Issuance of common stock and equity units	-	-	-	-	-
Dividend paid on common and preferred stock	(81,879)	(78,070)	(97,059)	(97,073)	(115,920)
Extinguishment of preferred stock	(115,000)	-	-	-	-
Repayment of debt and capital lease obligation	(140,947)	(136)	-	-	-
Net (payments) borrowing under revolving credit facilities	217,051	(100,892)	-	-	-
Proceeds from exercise of stock options	-	-	-	-	-
Other	1,550	840	-	-	-
Net cash flows provided by financing activities	**(39,426)**	**(137,210)**	**(97,059)**	**(97,073)**	**(115,920)**
Change in cash and cash equivalents	**(7,246)**	**159,985**	**85,872**	**106,529**	**105,134**
Cash and cash equivalents at the beginning of the period	10,545	3,299	163,284	249,156	355,685
Cash and cash equivalents at the end of the period	**3,299**	**163,284**	**249,156**	**355,685**	**460,818**

Source: Company data, Morgan Stanley Research

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. LLC, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. LLC, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V. and their affiliates as necessary.
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Morgan Stanley & Co. LLC makes a market in the securities of Atlas Energy LP, Atlas Pipeline Partners, L.P., Boardwalk Pipeline Partners LP, Buckeye Partners LP, Chesapeake Midstream Partners, L.P., Copano Energy LLC, Crosstex Energy, Inc., Crosstex Energy, L.P., DCP Midstream Partners LP, Duncan Energy Partners LP, El Paso Pipeline Partners LP, Enbridge Energy Partners LP, Energy Transfer Equity, LP, Energy Transfer Partners LP, Enterprise Products Partners LP, Golar LNG Partners LP, Inergy LP, Kinder Morgan Energy Partners LP, Kinder Morgan Inc., Magellan Midstream Partners LP, MarkWest Energy Partners L P, Niska Gas Storage Partners LLC, NuStar Energy LP, NuStar GP Holdings, LLC, ONEOK PARTNERS LP, PAA Natural Gas Storage, L.P., Plains All American Pipeline LP, Regency Energy Partners, L.P., Southern Union Company, Spectra Energy Partners LP, Sunoco Logistics Partners LP, Targa Resources Corp., Targa Resources Partners, L.P., TC Pipelines LP, Teekay LNG Partners LP, Western Gas Partners LP, Williams Partners LP.
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(as of June 30, 2011)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1138**	**41%**	**470**	**49%**	**41%**
Equal-weight/Hold	**1143**	**41%**	**365**	**38%**	**32%**
Not-Rated/Hold	**117**	**4%**	**19**	**2%**	**16%**
Underweight/Sell	**389**	**14%**	**96**	**10%**	**25%**
Total	**2,787**		**950**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.
Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.
Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index.
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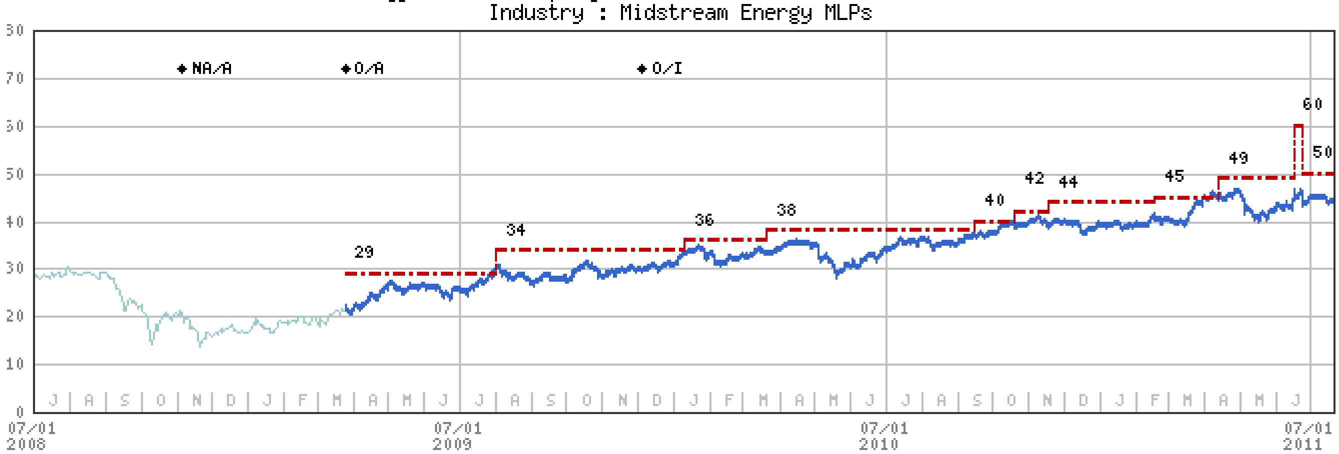
Stock Price, Price Target and Rating History (See Rating Definitions)

Energy Transfer Equity, LP (ETE.N) - As of 7/19/11 in USD
Industry : Midstream Energy MLPs



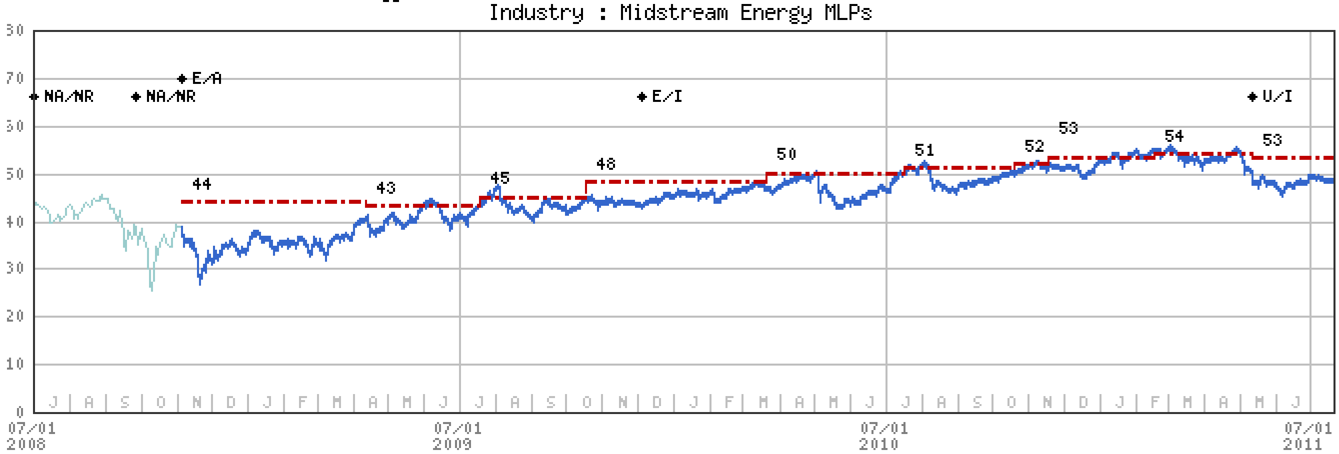
Volatility shading indicates "more volatile" (V) flag. As of Nov-14-2008 the V flag has been discontinued.

Stock Rating History: 11/5/08 : NA/A; 3/25/09 : O/A; 12/4/09 : O/I

Price Target History: 3/25/09 : 29; 8/2/09 : 34; 1/10/10 : 36; 3/21/10 : 38; 9/16/10 : 40; 10/19/10 : 42; 11/18/10 : 44; 2/17/11 : 45; 4/12/11 : 49; 6/16/11 : 60; 6/24/11 : 50

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target --   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) —   Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Energy Transfer Partners LP (ETP.N) - As of 7/19/11 in USD
Industry : Midstream Energy MLPs



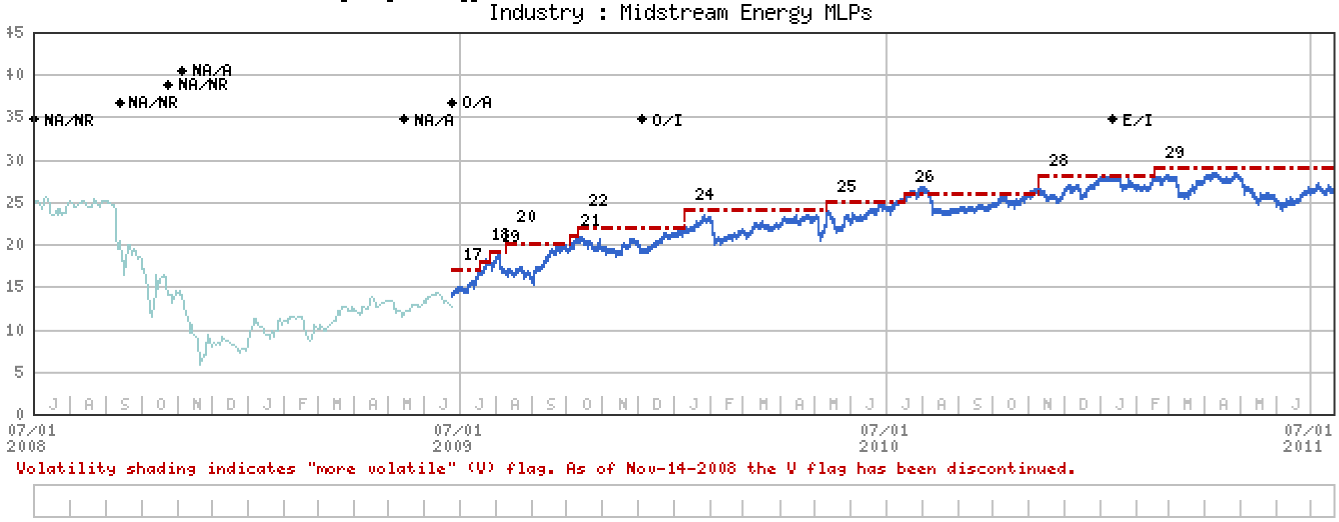
Volatility shading indicates "more volatile" (V) flag. As of Nov-14-2008 the V flag has been discontinued.

Stock Rating History: 7/1/08 : NA/NR; 9/26/08 : NA/NR; 11/5/08 : E/A; 12/4/09 : E/I; 5/12/11 : U/I

Price Target History: 9/26/08 : NA; 11/5/08 : 44; 4/12/09 : 43; 7/19/09 : 45; 10/18/09 : 48; 3/21/10 : 50; 7/18/10 : 51; 10/19/10 : 52; 11/18/10 : 53; 2/17/11 : 54; 5/12/11 : 53

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target --   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) —   Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Regency Energy Partners, L.P. (RGNC.O) - As of 7/19/11 in USD
Industry : Midstream Energy MLPs

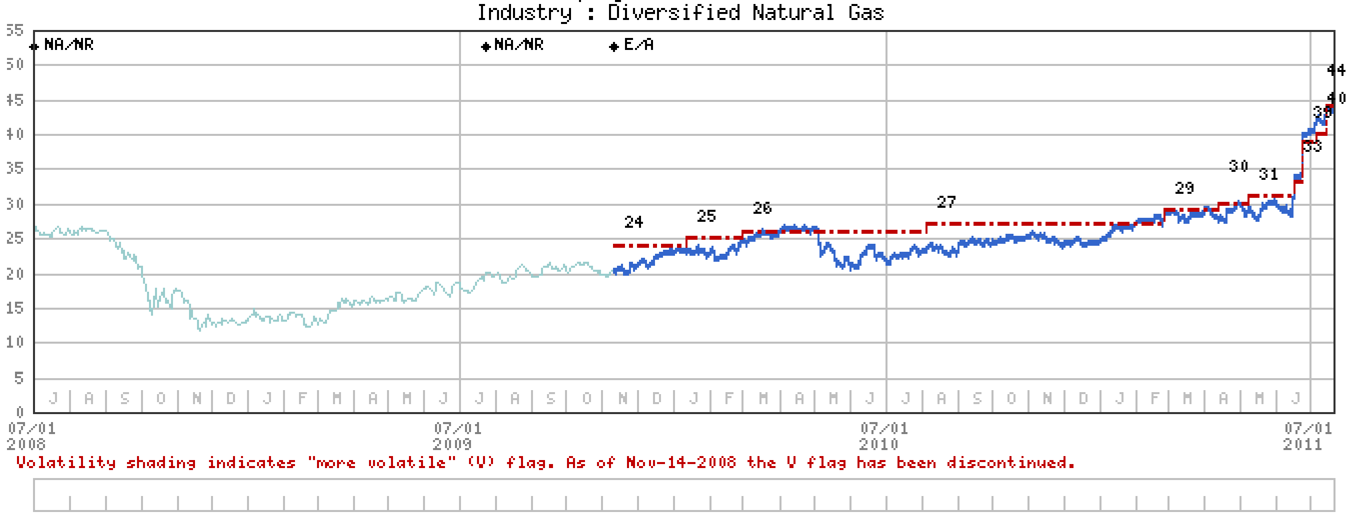


Volatility shading indicates "more volatile" (V) flag. As of Nov-14-2008 the V flag has been discontinued.

Stock Rating History: 7/1/08 : NA/NR; 9/12/08 : NA/NR; 10/24/08 : NA/NR; 11/5/08 : NA/A; 5/14/09 : NA/A; 6/25/09 : O/A; 12/4/09 : O/I; 1/12/11 : E/I
Price Target History: 9/12/08 : NA; 6/25/09 : 17; 7/19/09 : 18; 7/27/09 : 19; 8/10/09 : 20; 10/4/09 : 21; 10/11/09 : 22; 1/10/10 : 24; 5/11/10 : 25; 7/18/10 : 26; 11/9/10 : 28; 2/17/11 : 29

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Southern Union Company (SUG.N) - As of 7/19/11 in USD
Industry : Diversified Natural Gas



Volatility shading indicates "more volatile" (V) flag. As of Nov-14-2008 the V flag has been discontinued.

Stock Rating History: 7/1/08 : NA/NR; 7/23/09 : NA/NR; 11/10/09 : E/A
Price Target History: 11/10/09 : 24; 1/11/10 : 25; 3/1/10 : 26; 8/5/10 : 27; 2/25/11 : 29; 4/12/11 : 30; 5/9/11 : 31; 6/16/11 : 33; 6/24/11 : 39; 7/5/11 : 40; 7/14/11 : 44

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
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Industry Coverage:Midstream Energy MLPs

Company (Ticker)	Rating (as of)	Price* (07/18/2011)
Stephen J. Maresca, CFA		
Atlas Energy LP (ATLS.N)	O (03/07/2011)	$23.79
Atlas Pipeline Partners, L.P. (APL.N)	O (03/07/2011)	$32.26
Boardwalk Pipeline Partners LP (BWP.N)	U (12/06/2010)	$28.72
Buckeye Partners LP (BPL.N)	E (08/02/2009)	$64.59
Chesapeake Midstream Partners, L.P. (CHKM.N)	E (05/12/2011)	$28.26
Copano Energy LLC (CPNO.O)	O (01/12/2011)	$35.04
Crosstex Energy, Inc. (XTXI.O)	E (01/31/2011)	$12.87
Crosstex Energy, L.P. (XTEX.O)	E (01/31/2011)	$17.87
DCP Midstream Partners LP (DPM.N)	E (05/12/2011)	$41.25
Duncan Energy Partners LP (DEP.N)	++	$43.02
El Paso Pipeline Partners LP (EPB.N)	O (11/05/2008)	$35.3
Enbridge Energy Partners LP (EEP.N)	U (01/14/2010)	$29.55
Energy Transfer Equity, LP (ETE.N)	O (03/25/2009)	$44.03
Energy Transfer Partners LP (ETP.N)	U (05/12/2011)	$47.99
Enterprise Products Partners LP (EPD.N)	++	$42.88
Golar LNG Partners LP (GMLP.O)	O (05/18/2011)	$27.7
Inergy LP (NRGY.N)	O (01/12/2011)	$35.15
Kinder Morgan Energy Partners LP (KMP.N)	U (05/12/2011)	$73.19
Kinder Morgan Inc. (KMI.N)	E (03/23/2011)	$28.19
Magellan Midstream Partners LP (MMP.N)	E (05/12/2011)	$59
MarkWest Energy Partners L P (MWE.N)	E (06/25/2009)	$47.92
Niska Gas Storage Partners LLC (NKA.N)	E (06/21/2010)	$17.31
NuStar Energy LP (NS.N)	U (05/12/2011)	$63.23
NuStar GP Holdings, LLC (NSH.N)	E (05/12/2011)	$37.57
ONEOK PARTNERS LP (OKS.N)	E (11/05/2008)	$43.83
PAA Natural Gas Storage, L.P. (PNG.N)	E (06/21/2010)	$22.99
Plains All American Pipeline LP (PAA.N)	E (08/02/2009)	$63.55
Regency Energy Partners, L.P. (RGNC.O)	E (01/12/2011)	$26.2
Spectra Energy Partners LP (SEP.N)	U (05/12/2011)	$31.08
Sunoco Logistics Partners LP (SXL.N)	U (08/02/2009)	$83.77
TC Pipelines LP (TCLP.O)	E (05/12/2011)	$47.19
Targa Resources Corp. (TRGP.N)	O (01/31/2011)	$34.03
Targa Resources Partners, L.P. (NGLS.N)	O (05/12/2011)	$36.07

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Teekay LNG Partners LP (TGP.N)	E (12/06/2010)	$37.18
Western Gas Partners LP (WES.N)	O (07/14/2010)	$35.84
Williams Partners LP (WPZ.N)	O (05/13/2010)	$55.03

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

July 20, 2011

Company Comment

Energy Transfer Equity L.P.

(ETE:NYSE)

Darren Horowitz, (713) 278-5269, Darren.Horowitz@RaymondJames.com
Kevin Smith, (713) 278-5278, Kevin.Smith@RaymondJames.com

Midstream Suppliers

Increasing the Ante for Southern Union; Last and Final Offer?

Recommendation: With the potential to acquire Southern Union Company (SUG), Energy Transfer Equity not only has growing cash flows from its IDR and GP interests in Regency Energy Partners (RGNC) and Energy Transfer Partners (ETP), but would also gain an attractive set of gas gathering and processing, transmission and storage assets. Considering the enhanced potential for DCF growth should definitive acquisition terms be reached, we would expect the partnership to outperform the broader market on a total return basis over the next 12-18 months.

- **Not throwing in the towel: Energy Transfer Equity increases its bid for Southern Union Company.** For $9.4 billion, including $3.7 billion in existing debt (excludes $1.3 billion of net Citrus Corp. debt), ETE has improved its offer to $5.7 billion in equity consideration. This reflects a price of $44.25/share in cash or a conversion of 1.0x ETE common units for each Southern Unit owned. Of note, the maximum cash component is 60% of the aggregate consideration and the common unit portion can fluctuate between 40% and 50%.
- **Reduced 2012E DCF accretion; however, intrinsic long-term value still exists for ETE at this price point.** Given our expected range of $1-$1.075 billion in 2012 Adj-EBITDA for SUG, we calculate a ~10-10.7x transaction multiple, at the lower end of the 10-14x EBITDA range for recent transactions of similar assets. This surpasses both ETE's second offer of $40/share in cash or a 0.903x ETE conversion (reflecting ~9.5-10.2x 2012E EBITDA) as well as Williams' second offer of $44/share all cash. When reconciling Adj-EBITDA to DCF, net of interest expense, maintenance capex, taxes, the potential for $100 million in synergies and distributions to new ETE units (assuming a 45% equity consideration), we believe SUG could contribute ~$113-140 million in incremental cash available for distribution, reflecting ~16-20% accretion on a per unit basis relative to our $2.55/unit 2012 forecast. Of note, this forecast excludes the 50% ownership in Citrus Corp., which would be dropped down to Energy Transfer Partners L.P. for $2 billion concurrent with a closing of the ETE/SUG merger.
- **50% interest in Citrus Corp. revised from $1.9 billion to $2 billion total consideration; long-term accretion to ETP/ETE hinges on future profitability.** Given our forecast for $300 million in 2012 Adj-EBITDA for SUG's 50% interest in Citrus Corp. (owns 100% of the Florida Gas Transmission pipeline system), we are projecting an 11x multiple on 2012E EBITDA. Based on that estimate, net of financing requirements, etc., we model the transaction to be marginally accretive to Energy Transfer Partners (a fraction of 1% in 2012).

Valuation: We continue to favor an investment in ETE vs. ETP given its attractive relative valuation (~5.7% yield vs. the general partners' peer average of 4.2%) and a 2011-2014E cash distribution CAGR of 10.7%. As such, we reiterate our **Outperform** rating and are maintaining our $50 target price, based on our dividend discount/yield spread model detailed on page 5.

EPU	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	Full Year	**Cash Flow (mil.)**
2010A	$0.50	$0.09	$(0.07)	$0.34	$0.86	$485
Old 2011E	0.40A	0.37	0.42	0.58	1.76	516
New 2011E	**0.40A**	**0.37**	**0.42**	**0.58**	**1.76**	**516**
Old 2012E	0.64	0.43	0.45	0.61	2.13	565
New 2012E	**0.64**	**0.43**	**0.45**	**0.61**	**2.13**	**565**

Rows may not add due to rounding and changes in unit count. Figures exclude non-recurring gains and losses.

Rating

Outperform 2

Current and Target Price

Current Price (7/19/2011)	$43.53
Target Price:	$50.00
52-Week Range	$47.34 - $32.61
Suitability	Total Return

Market Data

Shares Out. (mil.)	223.0
Market Cap. (mil.)	$9,707
Avg. Daily Vol. (10 day)	399,160
Dividend/Yield	$2.50/5.7%
BVPS (03/11)	$0.40
Proj. 3-Yr Cash Dist/Unit CAGR	10.7%

Earnings & Valuation Metrics

	2010A	2011E	2012E
P/E Ratios			
	50.6x	24.7x	20.4x
Cash Dist./Unit			
Old	$2.16	$2.32	$2.55
New	$2.16	$2.32	$2.55

Company Description

Energy Transfer Equity L.P., headquartered in Dallas, Texas, owns the general partner interests, 100% of the incentive distribution rights, and approximately 28% of the outstanding limited partner interests of Energy Transfer Partners L.P. The partnership also owns the general partner interests, 100% of the incentive distribution rights, and approximately 22% of the outstanding limited partner interests of Regency Energy Partners L.P.

Please read domestic and foreign disclosure/risk information beginning on page 7 and Analyst Certification on page 7.

Committed to the cause: Energy Transfer Equity increases its bid for Southern Union Co.

For $9.4 billion, including $3.7 billion in debt (excludes $1.3 billion of Citrus Corp. debt), ETE has restated its merger agreement with Southern Union in a transaction to close in 1Q12. Specifically, Energy Transfer Equity's improved offer of $5.7 billion in equity consideration reflects a price of $44.25/share in cash or a conversion of 1.0x ETE common units for each Southern unit. Of note, the maximum cash component is 60% of the aggregate consideration and the common unit portion can fluctuate between 40% and 50%.

Qualitative rationale remains the same

As detailed in our 6/17/11 comment: *"ETE: Raising TP to $50.00; Prime Beneficiary in Southern Union Acquisition",* the proforma asset base not only provides a more competitive interstate and midstream platform and greater vertical integration across the gathering and processing/NGL value chain (~45,000 miles of pipe), but also reflects a substantial increase in stable, fee-based cash flow from long-term contracts (~77% of SUG's estimated 2011 EBITDA is driven by interstate pipelines and storage facilities). Additionally, ETE's cash flow composition becomes further diversified, shifting from 80% ETP/20% RGNC to 56% ETP/30% SUG/14% RGNC. Beyond increased organic growth potential in strategic, prolific supply areas, substantial DCF upside could be realized via multiple asset dropdown opportunities to both Energy Transfer Partners and/or Regency Energy Partners.

Accretion to 2012 DCF exists, albeit at a reduced magnitude.

As detailed in the ETE *2012 EBITDA/DCF Sensitivity Proforma Southern Union Acquisition* table below, we have outlined a sensitivity analysis predicated on the assumed level of expected Southern Union 2012 Adjusted-EBITDA. Of note, this forecast *excludes* the EBITDA benefit of the 50% ownership in Citrus Corp., given that this asset will be dropped down to Energy Transfer Partners L.P. for $2 billion concurrent with the potential closing of the ETE/SUG merger. Thus, when reconciling Adj-EBITDA to total distributable cash flow (DCF), the majority of our assumptions in the revised calculation remain the same, net of Citrus.

Specifically, we have assumed 1) $239 million in interest expense on existing SUG debt of $3.7 billion (~2% increase relative to the midpoint of SUG's 2011 guidance, less an assumed $86 million in interest expense associated with $1.3 billion in Citrus Corp. debt), 2) $69 million in additional interest expense on new issue ETE debt ($1.1 billion of term debt at 6.25%), 3) $30 million in taxable liability, 4) maintenance capex of $230 million (net of $80 million allocated toward Citrus), and 5) $100 million in commercial and operational synergies (45%/23%/20%/12% from asset optimization/O&M savings/compensation and benefits/corporate overhead reductions, respectively). Of note, the $100 million in per-annum synergies does not include the potential for an additional $25 million in one-time savings related to capex avoidances, utilization of existing rights of way, etc. Finally, net of the distributions to the new ETE units (assuming a 45% equity consideration at a 1.0x conversion ratio of the 125.5 million outstanding SUG shares to ETE units), *we believe SUG could contribute ~$113-$140 million in incremental cash available for distribution, reflecting $0.40-$0.50/unit of immediate accretion, or 16-20% accretion on a per unit basis relative to our $2.55/unit 2012 ETE cash distribution forecast.*

ETE 2012 EBITDA/DCF Sensitivity Proforma Southern Union Acquisition*

	2012 SUG EBITDA Contribution (Thousands of $)			
	$700,000	**$725,000**	**$750,000**	**$775,000**
Interest Expense on SUG debt (Excludes $1.3B Citrus Debt)	($239,000)	**($239,000)**	**($239,000)**	($239,000)
Interest Expense on new ETE debt ($1.1B @ 6.25%)	($68,750)	**($68,750)**	**($68,750)**	($68,750)
Taxes (incl. Federal/State, etc)	($30,000)	**($30,000)**	**($30,000)**	($30,000)
Minority Interest	$0	**$0**	**$0**	$0
Maintenance Capital Expenditures	($230,000)	**($230,000)**	**($230,000)**	($230,000)
Synergies (Commercial/Operational)	$100,000	**$100,000**	**$100,000**	$100,000
Total Distributable Cash Flow (DCF)	$232,250	**$257,250**	**$282,250**	$307,250
Distributions to New ETE Units (Assumes 45% Equity Consideration, 1.00x Ratio)	($143,784)	**($143,784)**	**($143,784)**	($143,784)
Cash Available for Distribution	$88,466	**$113,466**	**$138,466**	$163,466
Proforma ETE Units Outstanding	279,452	**279,452**	**279,452**	279,452
ETE Immediate Accretion/Unit	**$0.317**	**$0.406**	**$0.495**	**$0.585**
ETE Immediate Accretion/Unit (%)**	**12.4%**	**16.0%**	**19.5%**	**23.0%**

** Excludes 50% interest in Citrus, which owns 100% of the Florida Gas Transmission (FGT) pipeline system*

*** Reflects RJ 2012 ETE Cash Distribution Forecast of $2.545/unit*

Source: RJ Research Estimates

In an attempt to further narrow down the sensitivity analysis detailed in the table on the preceding page and focus on one specific set of assumptions, the table below highlights a forecast of $750 million in projected 2012 Southern Union Adjusted-EBITDA, net of SUG's 50% interest in Citrus Corp. Encompassing the same assumptions outlined on the previous page, we arrive at ~$0.49/unit or ~19% accretion on a per unit basis relative to our published $2.55/unit 2012 ETE cash distribution forecast.

Energy Transfer Equity L.P.: Southern Union Acquisition 2012 DCF Accretion Analysis*

		ETE	+ SUG Acquisition* =	TOTAL
Adjusted EBITDA		**$1,934,803**	**$750,000**	**$2,684,803**
Less:	Interest Expense on SUG debt (Excludes $1.3B Citrus Debt)	($616,118)	($239,000)	**($855,118)**
	Interest Expense on new ETE debt ($1.1B @ 6.25%)	$0	($68,750)	**($68,750)**
	Taxes (incl. Federal/State, etc)	($21,379)	($30,000)	**($51,379)**
	Minority Interest	($412,586)	$0	**($412,586)**
	Maintenance Capital Expenditures	0	($230,000)	**($230,000)**
	Synergies (Commercial/Operational)	0	100,000	**$100,000**
Free Cash Flow		**$884,720**	**$282,250**	**$1,166,970**
ETP distribution per L.P. unit		**$3.755**		
ETP distribution coverage		**1.08x**		
Cash Flow from ETP		**$660,431**		**$660,431**
Cash Flow from RGNC		**$68,653**		**$68,653**
SG&A		**$5,000**		**$5,000**
Interest Expense		**$159,000**		**$159,000**
Net Cash Flows		**$565,084**	**$282,250**	**$847,334**
Distributions to New ETE Units (Assumes 45% Equity Consideration, 1.00x Ratio)**			**($143,784)**	
Cash Avaialbe for Distribution		**$565,084**	**$138,466**	**$847,334**
Common units		222,955	56,497	279,452
Total Units		**222,955**	**56,497**	**279,452**
Cash Distributions				
ETE Cash Flow per Unit		$2.535		$3.032
Total Implied ETE Distribution		**$2.545**	**$0.487**	**$3.032**
Distribution Coverage				
Total Unit Coverage		**1.00x**		**1.00x**

Amounts in thousands expect per unit data

Source: RJ Research Estimates, Southern Union Company, Energy Transfer Equity L.P.

** Excludes 50% interest in Citrus, which owns 100% of the Florida Gas Transmission (FGT) pipeline system*

*** Reflects RJ 2012 ETE Cash Distribution Forecast of $2.545/unit*

Our model assumptions: 50% interest in Citrus Corp. dropdown only accretive to 2012E Energy Transfer Partners' DCF at $300 million of EBITDA contribution or better.

As detailed in the ETP *2012 EBITDA/DCF Sensitivity: Citrus Corp. Dropdown* table on the following page, we have outlined a sensitivity analysis highlighting the assumed level of SUG's expected 2012 Adjusted-EBITDA from its 50% interest in Citrus Corp., the 100% owner of the Florida Gas Transmission Company (FGT). Recall, FGT is a 5,500 mile interstate pipeline with throughput capacity of 3.2 Bcf/d and a weighted average contract life of approximately 25 years remaining. In our opinion, this is the premier natural gas pipeline into Florida, and offers substantial scale expansion projects. One of the most notable was the approximate $2.48 billion FGT phase VIII expansion, encompassing 820 MMcf/d of design capacity, with over 75% of that capacity committed by 25-year average contracts. Once fully subscribed, run rate Adjusted-EBITDA is targeted to be in the range of $290-$310 million, reflecting a material improvement vs. 2011 guidance of $245-$260 million.

The table below details four independent scenarios of accretion/dilution to ETP common units, predicated on the level of Citrus' 2012 Adjusted EBITDA proforma the dropdown from ETE. Based on the expected range of $275-$312.5 million in 2012 Adj.-EBITDA for Citrus, we calculate Energy Transfer Equity's revised bid reflects a ~10.5-12x EBITDA multiple, or 11x on our target assumption. When reconciling Adjusted-EBITDA to total DCF, we have assumed 1) $86 million in interest expense on the $1.3 billion of net Citrus debt (reflects a 2-3% decrease vs. SUG's 2011 guidance) 2) an additional $60 million of interest expense on newly issued ETP debt to account for 50% of financing regarding the $2 billion purchase price ($1 billion of term debt at an assumed 6% rate), 3) direct Citrus maintenance capex of $80 million (consistent with 2011 guidance), 4) $81 million of cash distributions to newly issued ETP units, which reflects the remaining 50% financing regarding the $2 billion purchase price (i.e. $1 billion in incremental equity) and 5) $48 million of distributions to ETE given the newly issued ETP units. Finally, net of $55 million in annual incentive distribution rights (IDR) give backs from the GP to enhance LP accretion and offset the full multiple paid, *we believe the dropdown of Citrus to ETP to only reflect accretion to 2012 DCF at the $300 million Adjusted-EBITDA level or greater on a per unit basis relative to our published $3.755/unit 2012 ETP cash distribution forecast.*

ETP 2012 EBITDA/DCF Sensitivity : Citrus Corp. Dropdown*

	2012 Citrus EBITDA Contribution (Thousands of $)			
	$275,000	**$287,500**	**$300,000**	**$312,500**
Assumed EBITDA Purchase Multiple	**12.00x**	**11.48x**	**11.00x**	**10.56x**
Interest Expense on $1.3B in Net Citrus Debt	($86,000)	**($86,000)**	**($86,000)**	($86,000)
Interest Expense on new ETP debt ($1B @ 6.00%)	($60,000)	**($60,000)**	**($60,000)**	($60,000)
Income Taxes (incl. Federal/State)	($1)	**($1)**	**($1)**	($1)
Maintenance Capital Expenditures	($80,000)	**($80,000)**	**($80,000)**	($80,000)
Total Distributable Cash Flow (DCF)	$48,999	**$61,499**	**$73,999**	$86,499
Distributions to Newly Issued ETP units	($80,753)	**($80,753)**	**($80,753)**	($80,753)
Distributions to ETE on Newly Issued ETP units	($47,575)	**($47,575)**	**($47,575)**	($47,575)
Annual Incentive Distribution Right (IDR) Giveback	$55,000	**$55,000**	**$55,000**	$55,000
Cash Available for Distribution	($24,328)	**($11,828)**	**$672**	$13,172
ETP Units Outstanding	227,691	**227,691**	**227,691**	227,691
ETP Immediate Accretion/Dilution per Unit	**($0.107)**	**($0.052)**	**$0.003**	**$0.058**
ETP Immediate Accretion/Dilution per Unit (%)**	**-2.85%**	**-1.38%**	**0.08%**	**1.54%**

** Reflects 50% interest in Citrus, which owns 100% of the Florida Gas Transmission (FGT) pipeline system*

*** Reflects RJ 2012 ETP Cash Distribution Forecast of $3.755/unit*

Source: RJ Research Estimates

Creativity counts: structural tweaks result in a very attractive offer for SUG shareholders.

In our opinion, ETE's revised offer will be tough to surpass. Specifically, this offer 1) has a higher cash consideration (albeit minimal) vs. the $44/share all cash Williams offer, 2) has upside potential via the intrinsic value of ETE common units: this relates to the IDRs associated with underlying RGNC and ETP LP cash flow growth potential, as well as the tax-deferred treatment of the units, 3) has support from shareholders representing 14% of SUG's total shares outstanding (who have pre-elected to receive ETE common units as their consideration), 4) has substantial synergistic and strategic operational benefits, and 5) has improved clarity to close with less associated risk.

Qualitatively, there is no question that the proforma asset base not only provides a more competitive interstate and midstream platform and greater vertical integration across the gathering and processing/NGL value chain (~45,000 miles of pipe), but also reflects a substantial increase in stable, fee-based cash flow from long-term contracts (~77% of SUG's estimated 2011 EBITDA is driven by interstate pipelines and storage facilities). Additionally, ETE's cash flow composition becomes further diversified, shifting from 80% ETP/20% RGNC to 56% ETP/30% SUG/14% RGNC. Beyond increased organic growth potential in strategic, prolific supply areas, substantial DCF upside could be realized via multiple asset dropdown opportunities to both Energy Transfer Partners and/or Regency Energy Partners. In sum, we continue to favor an investment in ETE vs. ETP given its attractive relative valuation (~5.7%

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yield vs. the general partners' peer average of 4.2%) and healthy 2011-2014E cash distribution CAGR of 10.7%. As such, we reiterate our **Outperform** rating and are maintaining our target price of $50/unit, based on our dividend discount/yield spread model detailed below.

Valuation: Maintaining $50.00/unit target price.
To recap our dividend discount/yield spread valuation methodology for general partners, we sum the discounted cash flow from (1) estimated distributions for the next five years, and (2) a calculated terminal value that is based on a 2% perpetual distribution growth rate, which exemplifies the same cash flow leverage inherent in the LP/GP relationship.

For GPs, the average cost of equity assumption we use to discount the distributions is the average five-year cost of equity at the LP level. Recall, at the LP level, to calculate the average five-year cost of equity, we add a basis point spread assumption over our 10-year Treasury assumption of 4.0% to reach a target yield, which is then divided by the limited partner interest or calculated by subtracting the general partner distribution interest from one. When considering a 1) 10.9% cost of equity, 2) improved cash distribution growth potential into 2013/2014 and beyond (our 2011-2014E CAGR in cash distributions remains 10.7%), and 3) a 5% perpetual growth rate, we arrive at a target price of $50.00/unit, as detailed below.

ETE Dividend Discount Model	
10-Year Treasury assumption	4.00%
Average cost of equity	10.90%
Valuation	**$50.00**

Company Citations

Company Name	Ticker	Exchange	Currency	Closing Price	RJ Rating	RJ Entity
Energy Transfer Partners L.P.	ETP	NYSE	$	47.21	3	RJ & Associates
Regency Energy Partners L.P.	RGNC	NASDAQ	$	26.45	NC	
Southern Union Company	SUG	NYSE	$	44.34	NC	
The Williams Companies, Inc.	WMB	NYSE	$	30.64	2	RJ & Associates

Notes: Prices are as of the most recent close on the indicated exchange and may not be in US$. See Disclosure section for rating definitions. Stocks that do not trade on a U.S. national exchange may not be approved for sale in all U.S. states. NC=not covered.

Energy Transfer Equity L.P. Consolidated Income Statement

	2010	Mar	Jun E	Sep E	Dec E	2011 E	Mar E	Jun E	Sep E	Dec E	2012 E
Revenues											
Total revenue	**6,604,132**	**1,989,120**	**1,399,629**	**1,475,869**	**1,731,233**	**6,595,851**	**1,838,137**	**1,500,112**	**1,533,058**	**1,774,495**	**6,645,802**
Cost of Products Sold											
Total cost of products sold	**4,115,243**	**1,201,426**	**805,335**	**822,753**	**948,903**	**3,778,416**	**1,007,040**	**823,241**	**840,978**	**974,761**	**3,646,020**
Operating expenses	786,086	220,696	197,958	193,899	217,823	830,376	211,777	211,427	215,678	222,048	860,929
SG&A	235,092	63,499	45,775	51,352	48,592	209,218	51,011	50,458	53,653	48,927	204,049
Depreciation & Amortization	431,649	139,256	99,596	100,297	101,006	440,155	101,423	101,843	102,265	102,691	408,222
OPERATING INCOME	1,036,062	364,243	250,965	307,567	414,910	1,337,686	466,887	313,143	320,484	426,067	1,526,581
Other income (expense)	(684,412)	(155,248)	(126,739)	(150,074)	(150,565)	(582,626)	(155,591)	(155,584)	(155,395)	(149,547)	(616,118)
Income tax	(14,451)	(9,903)	(3,881)	(4,941)	(6,372)	(25,097)	(6,397)	(4,533)	(4,620)	(5,829)	(21,379)
Minority interest	(143,498)	(110,452)	(37,557)	(58,157)	(128,716)	(334,882)	(161,718)	(56,570)	(60,225)	(134,072)	(412,586)
Loss from discontinued operations	0	0	0	0	0	0	0	0	0	0	0
NET INCOME (continuing operations)	194,412	88,640	82,788	94,395	129,257	395,081	143,181	96,455	100,243	136,619	476,499
G.P. interest in net income	597	274	414	472	646	1,806	716	482	501	683	2,382
L.P. interest in net income	192,161	88,366	82,374	93,923	128,611	393,275	142,465	95,973	99,742	135,936	474,116
Total Units	222,941	222,955	222,955	222,955	222,955	222,955	222,955	222,955	222,955	222,955	222,955
Earnings per unit (as reported)	$ 0.86	$ 0.40	$ 0.37	$ 0.42	$ 0.58	$ 1.76	$ 0.64	$ 0.43	$ 0.45	$ 0.61	$ 2.13
Adjusted EBITDA Calculation											
Net Income	194,412	88,640	82,788	94,395	129,257	395,081	143,181	96,455	100,243	136,619	476,499
Interest expense	624,914	167,929	153,693	154,074	154,565	630,262	155,591	155,584	155,395	149,547	616,118
Interest and other income	0	0	0	0	0	0	0	0	0	0	0
Income taxes	14,451	9,903	3,881	4,941	6,372	25,097	6,397	4,533	4,620	5,829	21,379
Depreciation and amortization	431,649	139,256	99,596	100,297	101,006	440,155	101,423	101,843	102,265	102,691	408,222
Minority interest	143,498	110,452	37,557	58,157	128,716	334,882	161,718	56,570	60,225	134,072	412,586
EBITDA	**1,408,924**	**516,180**	**377,515**	**411,865**	**519,916**	**1,825,476**	**568,309**	**414,986**	**422,749**	**528,759**	**1,934,803**

ENERGY TRANSFER EQUITY L.P. CASH FLOW MODEL

	2010	Mar	Jun E	Sep E	Dec E	2011 E	Mar E	Jun E	Sep E	Dec E	2012 E
ETP distribution per L.P. unit	**$ 3.5750**	$ 0.8938	$ 0.8938	$ 0.9038	$ 0.9138	**$ 3.6050**	$ 0.9238	$ 0.9338	$ 0.9438	$ 0.9538	**$ 3.7550**
ETP distribution coverage	**0.89x**	1.14x	0.79x	0.88x	1.22x	**1.01x**	1.36x	0.86x	0.87x	1.21x	**1.08x**
ETP Standard Distribution Rights	**19,523**	4,896	4,877	4,877	4,877	**19,527**	4,877	4,877	4,877	4,877	**19,508**
ETP Incentive Distribution Rights	**375,959**	103,182	103,802	105,864	107,926	**420,773**	109,987	112,049	114,111	116,173	**452,321**
ETP Common Unit Distributions	**190,530**	44,890	44,890	45,393	45,895	**181,068**	46,397	46,899	47,402	47,904	**188,602**
Other Adjustments											
Cash Flow from ETP	**586,012**	152,968	153,569	156,133	158,697	**621,368**	161,262	163,826	166,390	168,954	**660,431**
RGNC Standard Distribution Rights	**3,640**	1,269	1,269	1,269	1,269	**5,076**	1,269	1,269	1,269	1,269	**5,076**
RGNC Incentive Distribution Rights	**3,016**	1,114	1,250	1,586	1,921	**5,871**	2,256	2,592	2,927	3,262	**11,037**
RGNC Common unit distributions	**35,067**	11,689	11,953	12,216	12,478	**48,336**	12,741	13,004	13,266	13,529	**52,540**
Cash Flow from RGNC	**41,723**	14,072	14,472	15,070	15,668	**59,282**	16,266	16,864	17,462	18,060	**68,653**
Pro Rata Cash Settlement for 2Q10	**2,046**	0	0	0	0	**0**	0	0	0	0	**0**
SG&A	21,942	1,755	1,250	1,250	1,250	5,505	1,250	1,250	1,250	1,250	5,000
Interest Expense	291,278	40,119	39,750	39,750	39,750	159,369	39,750	39,750	39,750	39,750	159,000
Net Cash Flows	**485,111**	**125,166**	**127,041**	**130,203**	**133,366**	**515,776**	**136,528**	**139,690**	**142,852**	**146,014**	**565,084**
Cash Flow to Unitholders	**485,111**	125,166	127,041	130,203	133,366	**515,776**	136,528	139,690	142,852	146,014	**565,084**
Units Outstanding	222,941	222,955	222,955	222,955	222,955	222,955	222,955	222,955	222,955	222,955	222,955
ETE Cash Flow per Unit	**$ 2.176**	$ 0.5614	$ 0.5698	$ 0.5840	$ 0.5982	**$ 2.3134**	$ 0.6124	$ 0.6265	$ 0.6407	$ 0.6549	**$ 2.5345**
ETE Distribution	**$ 2.160**	$ 0.5600	$ 0.5650	$ 0.5850	$ 0.6050	**$ 2.3150**	$ 0.6175	$ 0.6300	$ 0.6425	$ 0.6550	**$ 2.5450**
YOY Growth	*1.2%*					*7.2%*					*9.9%*
Coverage	**1.01x**	1.00x	1.01x	1.00x	0.99x	**1.00x**	0.99x	0.99x	1.00x	1.00x	**1.00x**

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Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.

Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.

Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.

Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.

Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

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Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.

Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.

Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

Raymond James Latin American rating definitions

Strong Buy (SB1) Expected to appreciate and produce a total return of at least 25.0% over the next twelve months.
Outperform (MO2) Expected to appreciate and produce a total return of between 15.0% and 25.0% over the next twelve months.
Market Perform (MP3) Expected to perform in line with the underlying country index.
Underperform (MU4) Expected to underperform the underlying country index.
Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

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Sell (4) Expected absolute drop in the share price of more than 10% in next 12 months.

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Rating Distributions

	Coverage Universe Rating Distribution		Investment Banking Distribution	
	RJA	RJL	RJA	RJL
Strong Buy and Outperform (Buy)	55%	76%	16%	59%
Market Perform (Hold)	40%	22%	5%	43%
Underperform (Sell)	5%	2%	0%	0%

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Growth (G) Low to average risk equities with sound financials, more consistent earnings growth, possibly a small dividend, and the potential for long-term price appreciation.

Aggressive Growth (AG) Medium or higher risk equities of companies in fast growing and competitive industries, with less predictable earnings and acceptable, but possibly more leveraged balance sheets.

High Risk (HR) Companies with less predictable earnings (or losses), rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and risk of principal.

Venture Risk (VR) Companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, and a substantial risk of principal.

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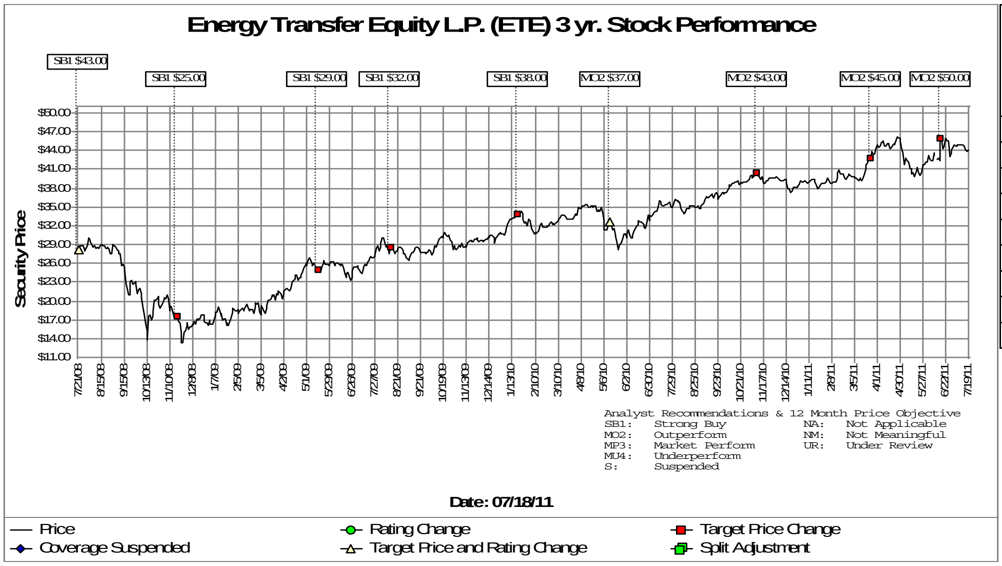
Company Name	Disclosure
Regency Energy Partners L.P.	Raymond James & Associates received non-securities-related compensation from RGNC within the past 12 months.

Stock Charts, Target Prices, and Valuation Methodologies

Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences. Only stocks rated Strong Buy (SB1) or Outperform (MO2) have target prices and thus valuation methodologies.

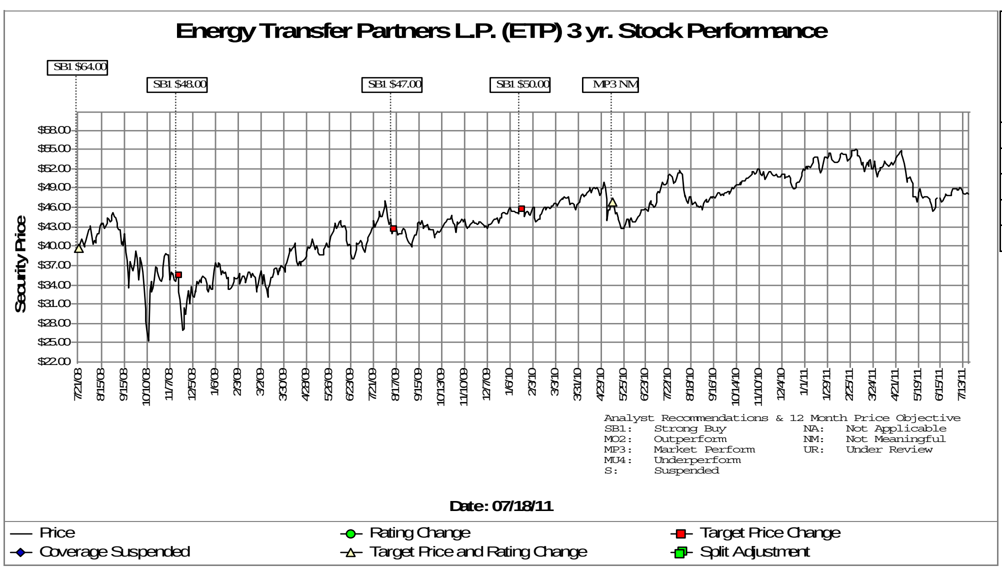
Target Prices: The information below indicates our target price and rating changes for ETE stock over the past three years.



Update Date	Closing Price	Target Price	Rating
6/17/11	45.96	50.00	2
3/24/11	42.89	45.00	2
11/10/10	40.46	43.00	2
5/12/10	32.63	37.00	2
1/20/10	33.79	38.00	1
8/12/09	28.49	32.00	1
5/13/09	25.00	29.00	1
11/17/08	17.64	25.00	1
7/21/08	28.24	43.00	1

Valuation Methodology: Our dividend discount/yield spread valuation methodology sums the discounted cash flow from (1) estimated distributions for the next five years at an average cost of equity, and (2) a calculated perpetual value that is based on a perpetual distribution growth rate and perpetual discount rate. To calculate the average five-year cost of equity, we add a basis point spread assumption over our 10-year Treasury assumption of 4% to reach a target yield. To calculate the perpetual discount rate, we inflate the fifth year's cost of equity by 2%.

The information below indicates target price and rating changes for other subject companies included in this research.



Update Date	Closing Price	Target Price	Rating
5/12/10	46.87	NM	3
1/20/10	45.72	50.00	1
8/12/09	42.81	47.00	1
11/17/08	35.61	48.00	1
7/21/08	39.63	64.00	1

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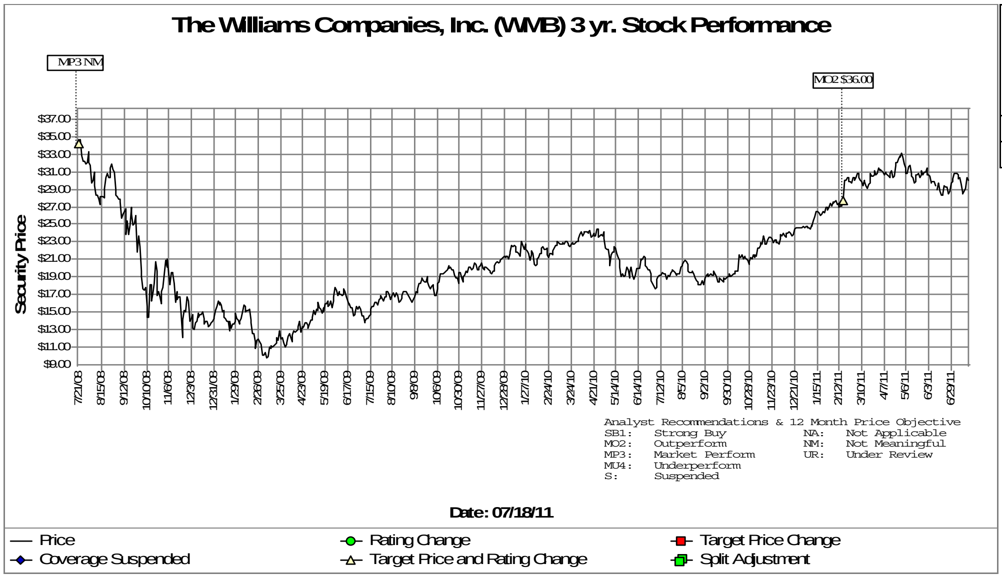

Update Date	Closing Price	Target Price	Rating
2/17/11	27.76	36.00	2
7/21/08	34.12	NM	3

Valuation Methodology: For Williams, our valuation methodology focuses primarily on enterprise value to prior-year proved reserves, enterprise value to forward EBITDA multiple, and price to proved net asset value per share. We also consider these valuation metrics in relation to the company's peer group. We believe these valuation metrics are useful when considered in conjunction with the company's debt-to-book capitalization ratio, reserves-to-production ratio (i.e., reserve life), and our assessments of the company's risk profile, drilling inventory depth, production growth profile, and forward-looking production growth per debt-adjusted share. Our analysis often requires us to estimate the company's capital structure at certain future dates. We calculate the 12-month target price based on an enterprise value to forward EBITDA multiple.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the projected target prices included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

Specific Investment Risks Related to the Industry or Issuer

Inability to Remove the General Partner
Each master limited partnership (excluding GP MLPs) will have a general partner that manages the operations, activities, and board of directors through a 2% general partner interest. The general partner of a MLP will also have a 100% interest in the incentive distribution rights and typically will own additional limited partnership interests. Given this level of control, removing the general partner or the individuals in management is not likely. As a result, unitholders will have a limited voice in corporate governance.

Restriction of Ownership
For partnerships with inter-state, FERC-regulated assets, Federal Energy Regulatory Commission regulations restrict ownership of partnership units to U.S. taxpayers.

Company-Specific Risks for Energy Transfer Equity L.P.

Inability to Remove the General Partner
84.7% of Energy Transfer Equity's common units are controlled by management and other non-public investors. Given this level of control, removing the general partner or individuals in management is not likely. As a result, unitholders have a very limited voice in corporate governance.

Distributions Are Not Guaranteed
The actual amount of cash distributed to unitholders may fluctuate and will depend on the operating performance of both Energy Transfer Partners and Energy Transfer Equity. Cash distributions for Energy Transfer Partners are dependent primarily on margins and throughput volumes, while distributions at Energy Transfer Equity depend on ETP distributions as well as other expenses, such as interest expense and SG&A. Should operating performance at either partnership falter, cash distributions could be decreased or terminated.

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Volumes Could Decline

Gathering and transmission pipelines, such as those that Energy Transfer Partners owns, generally do not carry an inordinate amount of commodity price risk but are exposed to supply risk. Supply decreases could result from normal declines in production, a failure to secure new supply agreements, and competition from other pipelines. If supplies and pipeline throughput decrease, Energy Transfer Partners' revenues will decrease accordingly, which may affect the distributions it pays, and in turn, affect distributions to Energy Transfer Equity unitholders.

Judicial Risk

While a settlement reached with the FERC in September 2009 helps to limit future financial exposure to liabilities related to allegations that ETP and ETE attempted to manipulate natural gas prices at the Houston Ship Channel several years ago, it should be noted that this settlement does not protect ETP from future third party lawsuits and several third party claims have been filed against ETP/ETE alleging damages related to the FERC claims. Specifically, there are currently two pending class action complaints against ETP/ETE and several natural gas producers and marketing companies have initiated legal proceedings against the partnership.

Commodity Price Risk

Energy Transfer Partners' operations or margins could be exposed to volatility in commodity prices. While a pipeline MLP's revenues are typically generated primarily by tolling fees, margin-based businesses such as propane, marketing activities, and natural gas processing and gathering can be directly and/or indirectly impacted by increases or decreases in commodity prices. Further, Energy Transfer Partners has begun to experience commodity exposure due to its natural gas storage business, acquired in January 2005. In practice, the partnership typically buys natural gas during the spring and summer months to increase inventories at its Bammel storage facility for delivery to customers in the fall and winter months. Energy Transfer Partners attempts to hedge these natural gas volumes to avoid significant adverse price movements. In the first and second fiscal quarters of 2006, Energy Transfer Partners realized significant cash gains from these hedging activities. There is no guarantee that hedging activities will be effective, and it is conceivable that the recent gains could be offset in the future. Energy Transfer Equity's distributions could be impacted given Energy Transfer Partners' exposure to commodity prices.

Potential Conflicts of Interest

The general partners of both Energy Transfer Partners and Energy Transfer Equity share some of the same board members. As such, conflicts of interest could arise whereby the resolution may not always be in the best interest of Energy Transfer Equity's unitholders. Further, affiliates of the general partner are not prohibited from engaging in other businesses that could potentially be in direct competition with the partnership.

Dependence Upon Capital Markets

Limited partnerships pay out all available cash in the form of distributions to unitholders. As a result, when growth projects/acquisitions become available, companies are forced to tap the capital markets for the necessary financing. Market conditions may or may not be attractive to the company at the time it needs external funding. Given ETP's high-level of forecasted 2010 capital expenditures, its ability to access capital at reasonable rates is critical to sustaining current cash flow levels to ETE.

Valuation Assumptions

Our valuation methodology for limited partnerships makes certain assumptions regarding the future growth in distributions for a company. If the actual growth rate of distributions varies from our expectations, it can have a significant effect on the forecasted price target. This sensitivity to growth assumptions is even more acute in the case of general partners, since the majority of the current price is derived from the expected growth in distributions to GP holders over the next few years, rather than the current yield. Further, the general partner structure in itself is fairly new to the marketplace. As such, the valuation approach for publicly traded general partners could evolve in the coming years.

General Partner Reporting Conventions

Most publicly traded general partners, including Energy Transfer Equity, generate the vast majority (100% in most cases) of their earnings and cash flows from their ownership interests in the underlying partnership. Most of the general partners do not publish separate earnings releases or conference calls surrounding results, so analysts typically "back calculate" the general partner results by using the results of the underlying MLP. Since the majority of GP cash flows are passthroughs from the underlying MLP, this approach does not present a major difficulty at this point. However, if a general partner begins to finance the underlying MLP's operations with additional debt at the GP level, or begins to conduct significant operations outside the underlying MLP, the interpretation of the reported information of the general partner could become even more difficult.

Interest Rate Risk

Increasing interest rates could increase debt service costs and interest expense and this might negatively affect the partnership's distributable cash flow.

Company-Specific Risks for Energy Transfer Partners L.P.

Volumes Could Decline

Gathering and transmission pipelines generally do not carry commodity price risk, but are exposed to supply risk. If supplies decrease and the related throughput in the pipeline decreases, Energy Transfer's revenues will decrease accordingly. Supply decreases result from normal declines in production, a failure to secure new supply agreements, and competition from other pipelines.

Product Costs

The retail propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between the retail sales price and the product cost. The unit cost of propane is subject to volatile changes as a result of product supply or other market

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conditions, including economic and political factors impacting crude oil and natural gas supply or pricing. Propane unit cost changes can occur rapidly over a short period of time and can impact retail margins. There is no assurance that Energy Transfer Partners will be able to pass on product cost increases fully or immediately, particularly when product costs increase rapidly.

Seasonality
The retail propane distribution business is seasonal because propane is primarily used for heating in residential and commercial buildings. Historically, approximately two-thirds of Energy Transfer Partners' retail propane volume is sold during the six-month peak heating season from October through March. Consequently, propane sales and related operating profits are concentrated in the partnership's first and second fiscal quarters. Cash flows from Energy Transfer Partners' propane business, therefore, are greatest during the second and third fiscal quarters when customers pay for propane purchased during the winter heating season. Lower operating profits and either net losses or lower net income from the partnership's propane division during the period from March through August (the partnership's third and fourth fiscal quarters) is expected. To the extent necessary, the partnership will reserve cash from the second and third quarters for distribution to unitholders in the first and fourth fiscal quarters.

Weather
Weather conditions have a significant impact on the demand for propane for both heating and agricultural purposes. Many customers of Energy Transfer Partners rely heavily on propane as a heating fuel. Accordingly, the volume of propane sold is directly affected by the severity of the winter weather (which can vary substantially from year to year) in the partnership's service areas. In any given area, sustained warmer-than-normal temperatures will tend to result in reduced propane use, while sustained colder-than-normal temperatures will tend to result in greater propane use.

Distributions Are Not Guaranteed
Energy Transfer Partners' minimum quarterly distribution is not guaranteed. The actual amounts of cash distributions may fluctuate and will depend on Energy Transfer Partners' future operating performance. Cash distributions are dependent primarily on cash flow, including cash flow from reserves and working capital borrowings, and not solely on profitability, which is affected by non-cash items.

Judicial Risk
While a settlement reached with the FERC in September 2009 helps to limit future financial exposure to liabilities related to allegations that ETP and ETE attempted to manipulate natural gas prices at the Houston Ship Channel several years ago, it should be noted that this settlement does not protect ETP from future third party lawsuits and several third party claims have been filed against ETP/ETE alleging damages related to the FERC claims. Specifically, there are currently two pending class action complaints against ETP/ETE and several natural gas producers and marketing companies have initiated legal proceedings against the partnership.

Risk Management
Energy Transfer Partners also attempts to minimize the effects of market price fluctuations for its propane supply by entering into certain financial contracts. In order to manage a portion of its propane price market risk, Energy Transfer uses contracts for the forward purchase of propane, propane fixed-price supply agreements, and derivative commodity instruments such as price swap and option contracts. The swap instruments are a contractual agreement to exchange obligations of money between the buyer and seller of the instruments as propane volumes during the pricing period are purchased. The swaps are tied to a fixed price bid by the buyer and a floating price determination for the seller based on certain indices at the end of the relevant trading period. The partnership had entered into these swap instruments in the past to hedge the projected propane volumes to be purchased during each of the one-month periods during the projected heating season.

Acquisition Risks
The risk of a dilutive or unsuccessful acquisition by Energy Transfer Partners exists. The risks inherent in making acquisitions (i.e., integration risk, limited operating history, competition, etc.) could impair Energy Transfer Partners' ability to make cash distributions. Management attempts to minimize these risks by doing extensive due diligence work.

Interest Rate Risk
Increasing interest rates could increase debt service cost and interest expense that might negatively affect the partnership's distributable cash flow.

Company-Specific Risks for The Williams Companies
Williams is subject to many of the same risks as a typical U.S. independent producer. Those risks include: commodity price fluctuations, operating risks, exploration risks, potential increases in oilservice costs, timing and control risk for non-operated prospects, political and regulatory risks, and financial risks.

High Leverage
Williams historically has maintained a moderate to high level of financial leverage. Potential declines in future profitability and cash flow generation could impact its ability to service its debt obligations as well as its ability to reinvest its cash flow in operations.

High Natural Gas Weighting
Virtually 100% of Williams' proved reserves are natural gas, which increases the sensitivity of its asset values and revenues to changes in natural gas prices.

Volumes Could Decline
Gathering and transmission pipelines, and NGL storage assets such as those owned by Williams Partners, generally do not carry an inordinate amount of commodity price risk but are exposed to supply risk. Supply decreases could result from normal declines in production, a failure to

secure new supply agreements, and competition from other pipelines. If supplies and pipeline throughput decrease, Williams' revenues will decrease accordingly.

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